

The Morality Factors in Preventing Fraud in Village Fund Management

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Abstract

Introduction/Main Objectives: This study seeks to examine the role of morality as a mediating variable in the association among the internal control system (SPI) and the village officials competence (KAD) on efforts to avoid fraud in the management of Village Funds in Ngariboyo District, Magetan Regency. **Background Problem:** Following the application of Law No. 6 of 2014 on Villages, the allocation of Village Funds has increased substantially each year. This situation places greater responsibility on Village Governments to ensure that fraudulent practices in Village Fund management are effectively prevented. **Novelty:** The research offers a new perspective by emphasizing the significance of morality (MOR) as a mediator among SPI and village officials' competence (KAD) in influencing fraud prevention (FRA) within the Village Fund management process. **Research Methods:** A quantitative research design was employed. The sample was selected through purposive sampling, involving 10 villages in Ngariboyo District, Magetan Regency. A total of 50 respondents who were directly engaged in the Village Funds management participated in the research. Path analysis was conducted using the SmartPLS 4 software. **Findings/Results:** The findings reveal that SPI, the competence, and morality individually exerts a significant positive effect on preventing fraud. Morality does not mediate the relationship among SPI and fraud avoidance, but it does mediate the influence of village officials' competence on fraud prevention. **Conclusion:** Strengthening the implementation of SPI, enhancing the competence, and fostering strong moral values are crucial for preventing fraud in management of Village Fund. Enhancing the ethical standards of village officials is anticipated to contribute to limiting corruption and minimizing fraudulent use of Village Funds.

Keywords: Competency; Fraud prevention; Internal control system; Morality

JEL Classification: M41, R10, H30, M48

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INTRODUCTION

The Village Government is a steward for the community to achieve shared prosperity and improve public service. Stewardship theory describes how agents in this case, Village Governments are responsible for fulfilling their accountability to principals, namely the

village community. According to Donaldson and Davis (1991) as well as Davis et al. (1997), agents are regarded as people who aim to manage the organization effectively, putting the organization's objectives ahead of their personal benefits. According to Schillemans and Bjurstrom (2020), stewardship theory considers agents as representatives who prioritize organizational or collective objectives over personal ones. In the context of stewardship theory, village officials are given the responsibility to manage village finances in order to achieve organizational goals. The government plays the role of ensuring equitable distribution while promoting human development to boost community well-being.

The introduction of Law Number 6/2014 on Villages has granted villages broader autonomy to accelerate local development while remaining aligned with existing legal provisions. This law is accompanied by substantial allocations of Village Funds each year. These funds must be managed in a transparent and accountable manner, with priority given to programs aimed at reducing poverty, empowering communities, and supporting other strategic needs in accordance with regulatory guidelines. Research has shown that Village Funds contribute positively and significantly to reducing poverty (Wibisono et al., 2024).

As the national budget (APBN) expands, Village Fund allocations also continue to rise, placing greater responsibility on village governments. As stated in the Regulation of the Minister of Home Affairs Number 20/2018, the management of village finances includes all activities associated with the planning, execution, administration, reporting, and accountability of village funds. Effective management of these finances has been found to significantly influence village government performance (Wibisono et al., 2025). The Village Head holds the primary responsibility for managing Village Funds, assisted by village officials in positions such as Treasurer, Secretary, and members of the Village Activity Implementation Team. At the same time, the Village Consultative Body (BPD) acts as the supervisory body, ensuring that the management of Village Funds is conducted appropriately.

Ajzen (1991) proposed the Theory of Planned Behavior (TPB), which posits that an individual's behavior is largely guided by their intention to perform it. This intention, in turn, is shaped by three key factors: the individual's attitude, the influence of social pressures or subjective norms, and perceived behavioral control. Within the TPB framework, fraudulent behavior can be understood as being influenced by intentions shaped by attitudes reflecting moral judgment, subjective norms linked to the capabilities of village officials, and perceived behavioral control associated with the efficiency of internal control systems (Hayati & Amalia, 2021).

According to Wibisono et al. (2017), "the limited experience of villages in managing large funds will lead to the emergence of the risk of deviation or fraud". "Fraud is a form of deliberate deception carried out by an individual or group to gain profit and cause losses to other parties" (Nashruah & Wijayanti, 2019). "Fraud is an attempt to gain advantage from others including all unexpected ways full of tricks or hidden and any unfair way that causes others to be deceived or suffer losses" (Suratman et al, 2021: 173). The Association of Certified Fraud Examiners (ACFE), as referenced in Tuanakotta (2016: 196–203), categorizes fraud into three primary types: corruption, misappropriation of assets, and financial statement manipulation. In the public sector, fraud can take multiple forms, such as bribery, overpricing, and the creation of fictitious transactions (Sari & Suartana, 2020).



Donald R. Cressey proposed the fraud triangle theory, which explains that an individual engages in fraud due to three factors: pressure, perceived opportunity, and rationalization (Tuanakotta, 2016: 205–212). Wolfe and Hermanson, as cited in Irianto & Novianti (2019: 45–47), introduced the fraud diamond theory, which identifies four elements that may drive an individual to engage in fraudulent acts: incentive or pressure, opportunity, rationalization, and capability.

Wijayanti et al. (2020) state that fraud prevention refers to efforts or measures aimed at reducing the likelihood that fraudulent activities will occur. As noted by Suratman et al. (2021: 179). "Fraud prevention is an activity carried out by management in terms of establishing policies, systems and procedures that help ensure that the necessary actions have been taken by the board of commissioners, management and other company personnel to be able to provide adequate assurance in achieving goals". Tuanakotta (2016: 271) explains that fraud can be prevented through several approaches, one of which is by ensuring that organizational or institutional leaders model ethical behavior. According to Wijayanti et al. (2020), key components of fraud prevention include fostering a culture of integrity, enforcing appropriate sanctions, evaluating governmental performance, and implementing effective systems.

Case example, the Head of Baleasri Village, Ngariboyo District, Magetan Regency also disbursed Village Funds on the grounds of development but there were no physical results of the building. From this Baleasri village fraud case, the state suffered a loss of 248 million (Wicaksono, 2020). In addition, Selotinatah Village, Ngariboyo District, Magetan Regency has also become the focus of attention by sub-district level supervisors due to alleged fraud. ICW said that since the allocation of Village Funds in 2015, there has been an increasing trend in corruption cases until 2022. In 2016, corruption cases involving villages numbered only 17, but by 2022 the figure had risen sharply to 155 cases. Likewise, the estimated financial loss to the state increased from about IDR 40.1 billion in 2016 to IDR 381 billion in 2022 (Ahdiat, 2024).

One method for preventing fraud is the adoption of an Internal Control System (ICS). As defined in Article 1 of Government Regulation of the Republic of Indonesia No. 60/2008, an ICS is an ongoing, integrated process implemented by organizational leaders and staff to provide reasonable assurance that objectives will be met by promoting operational efficiency and effectiveness, ensuring reliable financial reporting, protecting state assets, and complying with laws and regulations. The regulation identifies five elements of the ICS: the control environment, risk assessment, control activities, information and communication, and monitoring of internal controls.

Implementing the ICS across all organizational units is essential to uphold the credibility of financial reporting and to minimize the fraud risk within the organization. Previous studies have shown that SPI has a positive influence on preventing fraud in management of village financial (Rakanti & Ratnadi, 2024; Widodo & Cahyaningrum, 2023; Setyowati et al., 2022; Rahimah et al., 2018; Laksmi & Sujana, 2019).

Saputra et al. (2019) suggest that the effectiveness of preventing fraud in the Village Funds management is affected by the level of competence possessed by village officials. Competence is the ability that includes knowledge, expertise and attitudes possessed by a person to complete a task. Earlier research indicates that competence plays a role in preventing fraud (Rakanti & Ratnadi, 2024; Laksmi & Sujana, 2019; Saputra et al., 2019).

However, other findings suggest that competence does not significantly influence to fraud prevention (Rahimah et al., 2018).

To reduce the likelihood of fraud in the village fund management, the moral character of those responsible is essential. As noted by Rahimah et al. (2018), "morality is related to behavior, attitudes and actions, the higher a person's morals will do and reflect things that are right and worthy of being emulated". Morality influences fraud prevention (Rakanti & Ratnadi, 2024; Rahimah et al., 2018; Lestari & Ayu, 2021; Setyowati, et al. 2022; Laksmi & Sujana, 2019). By strengthening the moral values of those responsible for managing village finances (village government officials), it is expected that the misuse of village funds can be reduced. Nonetheless, previous research suggests that personal morality does not appear to mediate the link between organizational culture and the prevention of fraud in the management of village finances (Rustiyaningsih, 2023).

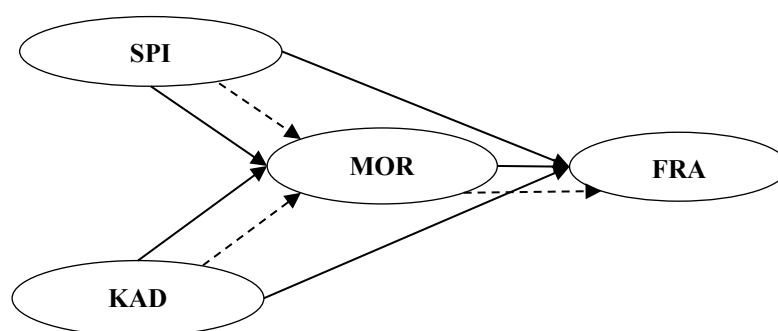


Figure 1. Framework of Thought

RESEARCH METHOD

This research uses a quantitative method with an explanatory design to investigate the relationships between the study variables. According to Sugiyono (2017: 35–36), quantitative research is grounded in positivist philosophy and is carried out by examining specific populations or samples, utilizing structured research instruments for data collection, and applying numerical (statistical) analysis to test predetermined hypotheses.

A purposive sampling method was applied, selecting 10 out of the 12 villages in Ngariboyo District, Magetan Regency. The names of these villages are Ngariboyo, Pendem, Banyudono, Banjarejo, Sumberdukun, Selopanggong, Bangsri, Mojopurno, Balegondo, Banjarpanjang. Two villages were not included in the sample. sampled for committing fraud, namely Baleasri Village and Selotinatah Village. The survey was conducted among five groups of village officials directly involved in the management of village funds, including the Village Head, Village Treasurer, Village Secretary, the Field Implementation Team, and BPD representatives. A total of 50 individuals participated in the study. The data obtained were analyzed using path analysis and processed with the Smart PLS 4 software.

The internal control system (X1) refers to the set of activities and regulatory measures implemented across an organization to ensure the reliability of financial reporting and decrease the occurring of fraud. "Its components include the control environment, risk assessment, control procedures, information and communication processes, and internal monitoring" (Government Regulation No. 60/2008). Village apparatus competence (X2) describes the ability of village officials to fulfill their roles, encompassing their knowledge,

skills, and attitudes (Siba, 2021). Strengthening these competencies is expected to minimize potential shortcomings.

Morality (Z) is an action, a person's behavior based on good or bad values influenced by society or the surrounding environment which includes an employee's awareness of responsibility, honesty and ethical values, obeying every rule that applies within the entity, and an individual's attitude in committing dishonest acts (Rahimah et al., 2018). Fraud prevention (Y) is an activity to avoid fraud in managing village funds including sanctions against fraud all forms, system implementation, evaluation of village government performance, and a culture of honesty (Wijayanti, 2020).

RESULTS AND DISCUSSION

Table 1 indicates from the total sample of 50 participants, 37 were male (74%) and 13 were female (26%). Table 2 indicates that the most of respondents are 36–50 age range: 24 (48%); 51-70 years: 17 (34%); and 20-35 years: 9 (9%). Table 3 shows that the most recent education is high school level with 34 people (68%) and S1/D3 with 16 people (32%). Table 4 shows the most work duration is 5-10 years with 41 people (82%), working less than 5 years with 5 people (10%), and 4 people working more than 10 years (8%).

Table 1. Gender

Gender	Amount	Percent
Man	37	74%
Woman	13	26%
Total	50	100%

Source: Processed data, 2025

Table 2. Respondents' Age

Age	Amount	Percentage
20-35 years	9	9%
36-50 years	24	48%
51-70 years	17	34%

Source: Processed data, 2025

Table 3. Respondents' Education

Educational level	Amount	Percentage
SENIOR HIGH SCHOOL	34 people	68%
S1/D3	16 people	32%

Source: Processed data, 2025

Table 4. Length of Service

Length of work	Amount	Percent
<5 years	5 people	10%
5 – 10 years	41 people	82%
>10 years	4 people	8%

Source: Processed data, 2025

Outer Model Testing . The outer loading test has met the requirements > 0.5 so that the test is worthy to be continued as seen in Figure 2.

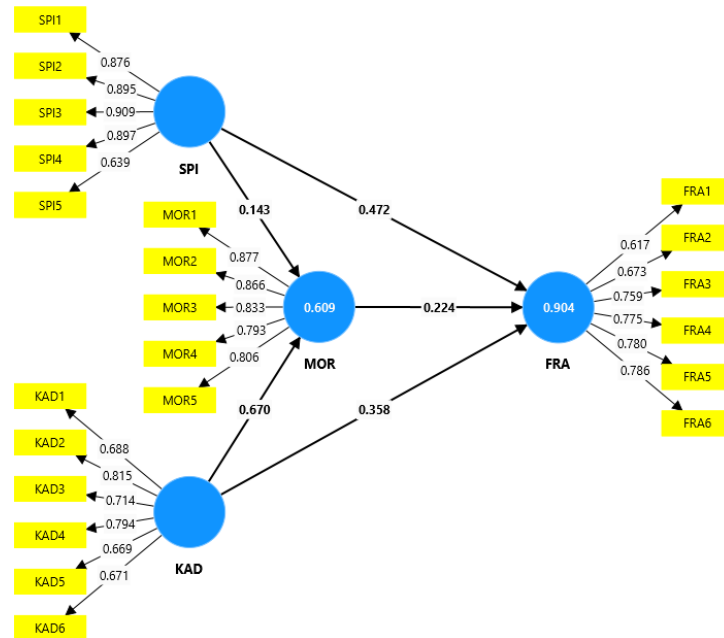


Figure 2. Outer Loading

The reliability and validity assessment shows that all criteria have been satisfied. As presented in Table 5, the AVE value exceeds 0.5, while both CA & CR are > 0.7 .

Table 5. Construct Reliability & Validity

	Cronbach's alpha	Composite reliability (rho _a)	Composite reliability (rho _c)	Average variance extracted (AVE)
SPI	0.899	0.910	0.927	0.722
KAD	0.821	0.832	0.870	0.529
MOR	0.891	0.893	0.920	0.698
FRA	0.829	0.840	0.875	0.539

Source: Smart PLS Output, 2025

R Square Test. Table 6, based on Chin (1998) in Ghazali & Latan (2015) the R^2 Morality value of 0.609 shows a moderate approaching strong & the R^2 Fraud Prevention of 0.904 shows the model of research is strong.

Table 6. Result of R^2

	R^2	R^2 adjusted
MOR	0.609	0.593
FRA	0.904	0.898

Source: Output Smart PLS, 2025

Predictive of relevance: $Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_n^2)$ (Hair, 2011).

$$\begin{aligned}
 Q^2 &= 1 - (1 - R1^2) (1 - R2^2) \\
 &= 1 - (1 - 0,609^2) (1 - 0,904^2) \\
 &= 1 - (0,629)(0,183) \\
 &= 0,885
 \end{aligned}$$

The value of 88.5% indicates the variables included in the model explain most of the diversity in the fraud prevention variable, while the residue 11.5% is influenced by aspects not captured in the model. These findings demonstrate the model possesses significant predictive value, as it exceeds the 0.35 threshold suggested by Hair et al. (2017).

The Goodness of Fit (GoF) represents an evaluation of the overall measurement and structural model, derived from the reflective measurement framework. The GoF Index shows a value of $0.686 > 0.36$, including the high category (Wetzels et al., 2009). This means that a high level of fit is obtained based on empirical data from the measurement and structural models.

$$\begin{aligned}
 \text{GoF} &= \sqrt{\text{Rerata nilai AVE} \times \text{Rerata nilai R Square}} \\
 &= \sqrt{0.622 \times 0.756} \\
 &= 0.686
 \end{aligned}$$

The Q^2_{predict} value for FRA in Table 8, which is 0.862, indicates that the exogenous variables SPI and KAD can predict MOR with an accuracy level of 54.6%, while SPI, KAD, and MOR together can predict FRA with an accuracy of 86.2%. Table 9 presents a contrast among the PLS model & the Linear Regression Model (LM) using the Root Mean Squared Error (RMSE) & Mean Absolute Error (MAE). All Q^2_{predict} values appear in green, meaning the PLS Q^2_{predict} values exceed those of the LM, and greatest PLS-SEM, RMSE & MAE significance are lower than the LM's RMSE & MAE. Its finding show the PLS model demonstrates strong predictive performance.

Table 8. PLS Predict Latent Variable (LV) Summary

	Q^2_{predict}	RMSE	MAE
MOR	0.546	0.699	0.523
FRA	0.862	0.381	0.283

Source: Output Smart PLS 4, 2025

Table 9. PLS Predict

	Q^2_{predict}	PLS- SEM	PLS- RMSE	PLS- SEM	PLS- MAE	LM_RMSE	LM_MAE
FRA1	0.186		0.512		0.392	0.476	0.404
FRA2	0.275		0.389		0.305	0.437	0.329
FRA3	0.562		0.320		0.250	0.216	0.114
FRA4	0.466		0.396		0.281	0.455	0.355
FRA5	0.584		0.329		0.255	0.307	0.196
FRA6	0.613		0.315		0.245	0.367	0.247
MOR1	0.352		0.433		0.333	0.521	0.385
MOR2	0.442		0.361		0.300	0.430	0.334
MOR3	0.413		0.385		0.314	0.476	0.378
MOR4	0.446		0.379		0.309	0.440	0.337
MOR5	0.251		0.469		0.363	0.562	0.425

Source: Output Smart PLS 4, 2025

Multicollinearity Test. All VIF Inner Model < 5, thus fulfilling the criteria for structural model evaluation.

Table 10. VIF Inner Model

	VIF
FRA CARD→	3.278
MOR CARD→	2.127
MOR →FRA	2,560
SPI →FRA	2.179
SPI →MOR	2.127

Source: Smart PLS Output, 2025

Table 11 indicates that SPI exerts a positive significant impact on fraud prevention, as shown by the P-value of 0.000, which is below 0.05; therefore, H1 is supported. The original sample coefficient of 0.472 for SPI on FRA suggests that a one-unit increase in SPI corresponds to a 47.2% improvement in fraud prevention. The 97.5% confidence interval shows that if SPI is increased with intensive and periodic supervision, it can increase fraud prevention by 61.6%.

Table 11. Structural Model Testing Results

Hypothesis	Original sample (O)	T statistics	P values	Convident interval		f-Square
				2.5%	97.5%	
SPI → FRA	0.472	5.896	0.000	0.298	0.616	1.063
KAD → FRA	0.358	3.977	0.000	0.202	0.566	0.407
MOR → FRA	0.224	2.800	0.005	0.064	0.383	0.203

Source: Output Smart PLS, 2025

KAD demonstrates a positive significant influence on fraud prevention, as showed by the P-value of 0.000, which is < 0.05, thus, H2 is supported. The original sample coefficient of 0.358 for KAD on FRA suggests that a one-unit rise in KAD leads to a 35.8% increase in fraud prevention. Furthermore, the 97.5% confidence interval indicates that enhancing village officials' competence through training and guidance could strengthen fraud prevention by up to 56.6%.

Morality demonstrates a positive significant influence on fraud prevention, as indicated by a p-value of 0.005 < 0.05, therefore, H3 is supported. The original MOR coefficient for FRA, valued at 0.143, indicates that a one-unit increase in morality would lead to a corresponding rise in fraud prevention, fraud prevention will increase by 14.3%. The 97.5% confidence interval shows that if morality is increased by increasing awareness through providing insight and ethics, it can increase fraud prevention by 38.3%.

According to Sarstedt et al. (2017), the f^2 values (effect sizes) presented in Table 11 indicate that SPI has a large impact on FRA at 1.063, KAD also shows a large effect on FRA at 0.407, while MOR exhibits a small to large effect on FRA at 0.203.

Table 12. Indirect Hypothesis

Hypothesis	Original sample (O)	T statistics	P values	Convident interval		Upsilon (v)
				2.5%	97.5%	
SPI → MOR → FRA	0.032	0.674	0.501	-0.034	0.147	0.001
KAD → MOR → FRA	0.150	2.500	0.012	0.040	0.276	0.023

Source: Output Smart PLS, 2025

Table 12 indicates that morality does not mediate the positive significant influence of SPI on fraud avoidance, as the P-value of 0.501 exceeds 0.05; therefore, H4 is refused. The path coefficient mediation coefficient of 0.032 suggests that a one-unit increase in morality would mediate only 3.2% of SPI's effect on fraud prevention.

In contrast, morality does mediate the positive and significant effect of KAD on fraud prevention, with a P-value of 0.012, which is below 0.05, supporting H5. The original sample mediation coefficient of 0.150 indicates that a one-unit increase in morality mediates 15% of KAD's impact on fraud prevention.

Based upon Cohen in Ogbeibu et al. (2020) the Upsilon (v) statistical test shows that MOR mediates SPI against FRA by 0.001 (very low) and MOR mediates KAD against FRA by 0.023 (low to medium). Mediation Effect with Mediation Analysis Procedure (MAP) (Figure 2) according to Hair et al. (2017) as follows:

- Morality does not mediate The influence of SPI on Fraud Prevention because only the direct effect has a positive and significant influence.
- Morality acts as a complementary (partial) mediator of the influence of competence on fraud, since both the direct and indirect effects are positive and significant.

The results of this research show that SPI positively and significantly contributes to the avoidance of fraud in the control of village funds. These results are consistent with prior research, which also demonstrates that SPI plays a positive role in reducing fraud in village financial management (Rakanti & Ratnadi, 2024; Widodo & Cahyaningrum, 2023; Setyowati et al., 2022; Rahimah et al., 2018; Laksmi & Sujana, 2019).

Consistent with stewardship theory, the Internal Control System (SPI) is regarded as crucial for ensuring effective oversight of village officials in controlling village funds, helping them achieve the village's goals and objectives. This study provides evidence that villages in Ngariboyo District have implemented SPI well in the administration of village funds. SPI activities in villages of Ngariboyo District include a clear organizational structure, clear division of task authority, and having clear organizational goals and having carried out a risk assessment in advance for achieving these goals. In addition, villages in Ngariboyo District are open to information on village fund management and carry out independent monitoring. These SPI activities are carried out and adhered to by all village officials.

SPI activities reflect the consistency of the financial statements made by the village, this is evidenced by the monitoring in carrying out tasks, separation of duties, daring to inform financial statements, with the reliability of these financial statements proven to capable of prevent fraud in managing village funds in the villages of Ngariboyo sub-district. This is in line with Government Rule No. 60/2008 that by implementing SPI, it will be able to maintain the reliability of financial statements. This reliability has been proven to avoid fraud. Tuanakotta (2016: 272) state that fraud avoidance can start from SPI.

The study's findings indicate that the competence of village officials has a positive significant impact on preventing fraud in the village funds control. The results are steady with study before demonstrating that competence influences fraud prevention (Rakanti & Ratnadi, 2024; Laksmi & Sujana, 2019; Saputra et al., 2019). Conversely, some studies have reported that competence does not significantly affect fraud avoidance (Rahimah et al., 2018).

This study's results align with the concept of subjective norms in the Theory of Planned Behavior (Ajzen, 1991), emphasizing that the competence of village officials is recognized, valued, and necessary by the community. In line with stewardship theory, having well-qualified village officials in controlling village funds is expected to improve the quality of public services. This study shows that village officials in Ngariboyo sub-district are competent in completing tasks. They are able and skilled in using software to assist in completing tasks in this case the task of controlling village funds, the software used is like Microsoft Excel as a calculation assistant and application recommended by the government for recording, namely the Siskeudes system. In addition, village officials are able and know the main tasks as village officials and know the standard guidelines used in completing tasks such as using the Government Accounting Standards guidelines that have been set in preparing Village Fund reports, in addition, village officials also show competent attitudes such as the initiative to immediately complete tasks and are able to complete tasks on time.

The performance of village officials demonstrates high-quality competence, and in Ngariboyo district, the competence of these officials directly influences the accountability of the village. Moreover, the competence has been shown to play a role in preventing fraud in village fund control. Based on Saputra et al. (2019), having sufficient competence in both quantity and quality enhances accountability, and when accountability is properly maintained, it helps to prevent fraudulent activities. "Enhancing the capacity of village financial management by the PPKD should go beyond proper administration and reporting, focusing also on improving work quality and preventing corrupt practices." (Wibisono et al., 2025).

The study's findings indicate that morality positively and significantly influences the avoidance of fraud in village funds control. These finding in line with prior study, which also found that morality contributes to mitigating fraudulent activities (Rakanti & Ratnadi, 2024; Rahimah et al., 2018; Lestari & Ayu, 2021; Setyowati, et al. 2022; Laksmi & Sujana, 2019). Lestari & Ayu (2021) noted that individuals with a strong awareness of morality are more likely to prevent fraud, as they tend to adhere to rules in accordance with established principles.

These findings align with the attitude component of the Theory of Planned Behavior, which posits that intention is shaped by attitudes, subjective norms, and personal perceptions of behavior. Furthermore, morality is also linked to individual feelings to participate or reject certain actions. The findings of this study show that the Village Fund management apparatus in Ngariboyo District, Magetan Regency has an honest attitude in working, is responsible for their duties, always acts according to good ethics and always obeys organizational rules, besides that the apparatus feels uncomfortable when cheating or lying. From this attitude, it reflects that the village fund management apparatus in Ngariboyo District has good morality in working. This is reflected in the actions taken by the village apparatus, they carry out and

obey the principles and rules that apply in the place where they work. Strong moral values have been shown to help prevent fraud in the management of village funds in Ngariboyo District.

The test results show that morality does not positively and significantly mediate how SPI influence the avoidance of fraud in Village Fund control. This shows that SPI is quite strong structurally, but it is possible that the morality factor is not really needed as an intermediary. The morality of village officials may be relatively homogeneous, so it does not provide enough variability to act as a mediator. Other factors such as organizational culture, legal sanctions, or external supervision may be more relevant as mediators. On the other hand, good morality is needed as a reflection of good behavior. Therefore, effective management of village funds requires strong moral integrity from the village government to ensure that these funds are utilized in consistency with the directives of the Central and Regional Governments and for the gain of the rural community. By fostering strong ethics among the village officials responsible for managing finances, it is supposed that the misuse of village funds can be minimized. However, previous research indicates that individual morality has not been shown to mediate the connection among organizational culture and fraud avoidance in village fund control (Rustiyannisih, 2023).

The test results indicate that morality assists as a positive and significant mediator in the association among KAD and fraud avoidance in the control of Village Funds. Competence does not directly prevent fraud, but competence accompanied by high morality will have a significant impact on preventing fraud. So, competence alone is not enough, but it needs to be accompanied by morality to prevent village officials from committing deviations. Competent village officials have a better understanding of regulations and system loopholes, but only morality can control them so that they do not misuse this knowledge. Morality becomes an ethical filter in the utilization of competence. The findings of this study align with the Theory of Planned Behavior where the behavior of individual village fund management officials is influenced by attitudes towards behavior, social norms or perceptions of others, and individual perceptions to commit or avoid fraudulent behavior.

CONCLUSION

Internal Control System (SPI) has a significant positive impact on reducing fraud in village fund management. SPI has been implemented well in villages in Ngariboyo sub-district, Magetan district to avoid fraud in village fund control. The competence positively and significantly influences the avoid of fraud in the controlling of village funds. This shows that competent can prevent fraud in managing village funds in Ngariboyo district, Magetan regency. Morality has a positive and significant impact on fraud avoidance in the controlling of village funds. High moral standards among village officials can effectively help avoid fraud in village fund management in Ngariboyo District, Magetan. Morality does not mediate positively and significantly the influence of SPI in reducing fraud in the controlling of village funds. So it is possible that the morality factor is not really needed as an intermediary, if SPI is already strong enough structurally in managing village funds. Morality positively and significantly mediates the impact of competence on reducing fraud in rural fund management. Competence followed by good morality will strengthen fraud prevention.

The village government in Ngariboyo district, Magetan, is expected to sustain and enhance SPI, the competence, and the moral standards of village officials to minimize the risk of fraud in village fund controlling. The village government should enhance the moral integrity of individuals and reinforce SPI both technically and structurally. It is necessary to improve workshops, training, seminars or by providing direct direction to each village government official.

Referring to stewardship theory, village officials have the responsibility to manage village finances to create a just and prosperous village community. According to the theory of planned behavior (TPB) fraud of village funds can be prevented with good SPI, competence of village government apparatus, and good individual morality of Village Government apparatus. However, moral (ethical) training alone is not effective if SPI is not implemented properly. By fostering morality, individuals can strengthen self-control to act ethically for instance, refraining from abusing authority for self-interest, being mindful of potential sanctions, and prioritizing the welfare of the community. Furthermore, through the morality of village financial controlling by apparatus of village government. It is expected to help avoid the misuse of village funds.

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