

## **Detecting Potential Fraud in Village Fund Management from the Fraud Hexagon Theory Perspective**

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### **ABSTRACT**

**Research Background:** Village heads and village officials are the most dominant perpetrators of corruption at the village level in Indonesia. The village head's leadership role is crucial in managing village government, including the village budget. **Introduction/Main Objectives:** This study aims to analyze the influence of the fraud hexagon elements on the potential for fraud in village fund management, with religiosity as a moderating variable. **Method:** A sample of 200 village officials was analyzed using PLS-SEM through SmartPLS 4.0. **Result:** The results indicate that the effectiveness of the internal control system and the competence of village officials have a significant positive effect, while organizational culture and political connections have a significant negative effect. Compensation suitability and village officials' morality have no significant effect. Religiosity only moderates the relationship between the effectiveness of the internal control system and fraud, but does not moderate the relationships between compensation suitability, organizational culture, village officials' competence, village officials' morality, and political connections. **Conclusion:** Based on the research results described relevant agencies are advised to continue strengthening and improving their village fund management oversight systems to minimize the potential for fraud. Village fund managers are expected to demonstrate a strong sense of responsibility in carrying out their duties, as any actions that suggest fraud, even if only suspicion, cannot be justified.

**Keywords:** Fraud; Fraud Hexagon Theory; Religiosity; Village Funds

**JEL Classification:** M40; M41

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### **INTRODUCTION**

Village funds as referred to in Government Regulation of the Republic of Indonesia No. 8 of 2016 are funds sourced from the State Revenue and Expenditure Budget allocated for villages transferred through the Regency/City Regional Revenue and Expenditure Budget and used to finance government administration, development implementation, community development and community empowerment. Allocation of village funds appropriately targeted will be able to stimulate the village economy. This is in line with the statement expressed by Nurmalasari & Irawan Supriyadi (2021) that village funds in the allocation process run well, so that they are able to provide extraordinary impacts for villages, including the creation of community empowerment in various fields such as economic improvement

and business development. Village funds were first distributed in 2015 based on Law (UU) No. 6 of 2014 concerning villages have experienced significant growth. From initially only allocated to 74,093 villages with a total fund of IDR 20.7 trillion, in 2024 the number of recipient villages increased to 75,265 villages with a fund allocation reaching IDR 71 trillion.

According to research conducted by Indonesian Corruption Watch (ICW), village heads and village officials are the most dominant perpetrators of corruption at the village level in Indonesia. The village head's leadership role is crucial in managing village government, including the village budget (Sarinastiti & Bhilawa, 2023). The relatively large and increasing allocation of village funds from year to year poses a risk of fraud by individuals, particularly those managing village finances (Noya et al., 2023). The term fraud refers to actions carried out intentionally or negligently to achieve personal gain (Rismayani et al., 2024). Indonesia Corruption Watch (ICW) recorded 187 cases of corruption in villages in 2023, resulting in state losses of up to IDR 162 billion. This fact indicates that the increase in village fund budget allocations has been accompanied by a rise in corruption cases in village budget management.

This phenomenon indicates that fraud is a real enemy for government agencies, including village governments. Various fraudulent acts occurring in village government agencies are the result of various behavioral patterns and motivations that individuals possess in carrying out their actions (Mustika & Basuki, 2022). Experts have conducted research that has produced theories for detecting and preventing fraud (Rosifa & Supriatna, 2022). Initially, to determine someone's actions when committing fraud, the fraud triangle theory developed by Cressey (1953) consisted of: pressure, opportunity, and rationalization. Over time, the basis for fraudulent acts evolved into the fraud diamond theory, a concept proposed by Wolfe & Hermanson (2004) with the addition of a fourth element, namely ability. In 2011, Crowe Horwath proposed the fraud pentagon theory, adding a new element: arrogance. The fraud hexagon theory developed by Georgios Vousinas is the latest development of the previous theory, adding a new element: collusion. The fraud hexagon theory emerged from the background of several fraud cases, namely conspiracy/collaboration with the greatest potential for losses compared to other fraud factors (Fadhilah Siregar et al., 2024). This theory is intended to refine previous theories consisting of six elements: pressure, opportunity, rationalization, ability, arrogance, and collusion. This study adopted the fraud hexagon theory because it is still rarely applied in studies on the potential for fraud in Village Fund management (Rosifa & Supriatna, 2022). However, to simplify the measurement process, each element in this theory is represented by a single variable. Pressure is proxied by the variable of compensation suitability, opportunity by the effectiveness of the internal control system, rationalization by organizational culture, ability by apparatus competence, arrogance by apparatus morality, and collusion by political connections. The fraud hexagon theory was chosen because its novelty can provide a broader scope of analysis of the factors that drive individuals to commit fraud. The six main elements that make up this theory are pressure, opportunity, rationalization, ability, arrogance, and collusion.

The first element in the fraud hexagon theory is pressure, the conditions that drive someone to commit fraud. This pressure typically arises from pressing financial needs or personal desires that must be fulfilled. According to the ACFE (2022) report, of the 20 indicators of fraudulent behavior, two are related to financial pressure: financial difficulties

(25%) and dissatisfaction with low salaries (7%). The pressure aspect, in this context, is linked to the compensation received by village officials. This study utilized the variable of compensation suitability as a proxy for the pressure element. The findings of Basri et al. (2021) support this assumption by stating that fraud is more likely to occur if the compensation received by employees is inadequate or disproportionate to the workload they bear.

The second element in the fraud hexagon is opportunity, which relates to an individual's opportunity to commit fraud in carrying out their duties. Opportunity is an external factor that can trigger fraud. The greater the opportunity or chance an individual has, coupled with broad freedom, the greater the potential for fraud. Opportunity arises from weaknesses in internal controls (Kusumawardhani, 2021). One way to mitigate fraud is by implementing effective internal controls, given that data from the ACFE (2022) indicates that 29% of fraud cases are caused by weak internal controls. Basri et al. (2021) and Desviana et al. (2020) state that the potential for fraud tends to increase when internal controls are not implemented properly.

The third element of the fraud hexagon is rationalization. This element is defined as the justification for committing fraud. This study measures the rationalization element using organizational culture variables. A lack of organizational culture within an institution can encourage individuals to have a strong desire to commit fraud. If the organizational culture is positive, fraudulent acts will be viewed as unethical behavior, thus creating a positive work environment that discourages fraud in any form. Conversely, if an organization treats fraud as normal, the potential for fraud increases. Previous research by Rosifa & Supriatna (2022) showed that organizational culture influences the likelihood of fraud in village fund management. Similar results were also found by Basri et al. (2021), who stated that the better the organizational culture, the lower the likelihood of fraud.

The fourth element in the fraud hexagon theory is ability or competence. Competence is often a trigger for fraud, which in this study is represented by the variable of apparatus competence. This means that the higher the level of competence possessed by village officials in managing village funds, the greater the likelihood of fraud. Every unit within the government should be run by human resources with adequate skills (Purnamawati & Hatane, 2020).

The fifth element in the fraud hexagon theory is arrogance. According to Geis (2011), one of the dominant factors driving someone to commit fraud is personality, including a sense of superiority and a desire for power (ego). This view is supported by Pedneault S. et al. (2012), who explain that fraud perpetrators tend to have high self-confidence and ego, and feel capable of committing fraud without risk of detection. In this context, the morality of village officials is used as an indicator to measure the element of arrogance. Morality reflects standards of acceptable behavior in society. Therefore, the morality of village officials is crucial in maintaining the integrity of village fund management, ensuring it is truly focused on improving community welfare. Handi et al. (2020) suggest that the lower the level of morality of village officials, the greater the opportunity for fraud.

The sixth element of the fraud hexagon is collusion. Political ties refer to close relationships between entities and politicians or the government. Companies with strong political connections often benefit from easier access to bank loans, government contracts, and financial guarantees during crises (Suryandari & Pratama, 2021). These connections give management access to resources that can be manipulated to produce misleading

financial results. According to Rizkiawan & Subagio (2023), political connections do not significantly influence the potential for fraud.

Several related studies examining the potential for fraud in village fund management using the fraud hexagon theory have yielded inconsistent results. For example, research by Desviana et al. (2020) suggests that pressure, ability, and collusion influence fraud, while opportunity, rationalization, and arrogance do not. Meanwhile, research by Rosifa & Supriatna (2022) found that ability, opportunity, rationalization, and arrogance influence fraud, while pressure and collusion do not. Therefore, this study also considers religiosity as a moderating variable that can influence the relationship between the elements of the fraud hexagon theory: pressure, opportunity, rationalization, ability, arrogance, and collusion.

The results of this study can provide both theoretical and practical contributions. The theoretical contribution of this study is to contribute to knowledge regarding fraudulent behavior, particularly in the context of village fund management. Furthermore, this research can serve as a reference for future researchers interested in studying similar topics. This research is expected to add to the literature for universities in developing knowledge about the causes of fraud in village fund management. The practical contribution of this research can be a basis for formulating policies, strengthening the monitoring system, and developing more optimal prevention mechanisms to reduce the risk of fraud and encourage the creation of accountability and transparency in the management of village funds.

## **METHOD**

This study employed quantitative research. The data used in this study were primary data, obtained directly from the research subjects through questionnaires distributed to all respondents. The population of this study was all village officials in East Java Province. The sample selection used a non-probability sampling method, namely purposive sampling. The respondents were the village head, village secretary, village finance/treasurer, general affairs head, planning head, government section head, welfare section head, and service section head. Because the hypothesis testing used a Structural Equation Model (SEM), a minimum of 100 questionnaires could be processed (Hair et al., 2006).

This study employed a survey method with a questionnaire as the data collection technique. The questionnaire results were measured using a Likert scale, with each respondent's answer alternative being scored from a maximum score of 5 to a minimum score of 1, namely Strongly Agree (SS), Agree (S), Neutral (N), Disagree (TS), and Strongly Disagree (STS). The questionnaire was used to measure respondents' opinions, attitudes, and knowledge regarding the potential for village fund fraud. Several underlying factors were considered: compensation suitability, internal control system effectiveness, organizational culture, staff competency, staff morality, and political connections, moderated by religiosity.

This study used the Partial Least Square Structural Equation Modeling (PLS-SEM) approach with the assistance of SmartPLS 4.0 software. SEM (Structural Equation Modeling) is a statistical analysis tool for research that requires simultaneous analysis of all variables and indicators. Partial Least Square (PLS) was first developed by Herman Wold (1982).

**Table 1.** Operational Definition of Variables

Variable	Indicators	References
Fraud (Y)	1. Financial reporting fraud 2. Asset misappropriation and corruption.	ACFE (2016)
Compensation Suitability (X <sub>1</sub> )	Compensation fulfillment is financial and non-finansial	Shintadevi (2015)
Effectiveness of Internal Control System (X <sub>2</sub> )	1. Control environment, 2. Risk assessment, 3. Information and communication, 4. Control activities, 5. Monitoring	COSO (2013)
Organizational culture (X <sub>3</sub> )	1. Attention to detail 2. Outcome orientation 3. People orientation 4. Team orientation 5. Aggressiveness	Timothy (2011)
Civil Service Competence (X <sub>4</sub> )	1. Knowledge 2. Ability 3. Attitude	Edison dkk. (2016)
Morality (X <sub>5</sub> )	1. Discipline 2. Attachment to society 3. Responsible for work	Desviana dkk. (2020)
Political Connections (X <sub>6</sub> )	1. Involvement in political parties 2. Political support in elections	Wang et al (2017)
Religiosity (M)	1. Belief, 2. Practice 3. Knowledge 4. Experience 5. Consequences	Glock & Stark (1965)

Source: data processed from any references

## RESULTS AND DISCUSSION

**Table 2.** Data Collection Results

Criteria	Total	Percentage
Questionnaires distributed	200	100
Returned questionnaire	200	100
Incompletely filled out questionnaire	0	0
Eligible questionnaire	200	100

Source: data processed

Based on Table 2, it can be concluded that the number of questionnaires distributed to respondents was 200 (100%). All questionnaires were successfully returned to the researcher and completed completely by the respondents, with no incomplete questionnaires (0%). Thus, the number of questionnaires that met the requirements for this study was 200 (100%).

**Table 3.** Respondent Description

Respondent Criteria	Item	Total	Percentage
Gender	Male	158	79%
	Female	42	21%
Ages	20-30 Years	25	12,5%
	31-40 Years	18	9%
	41-50 Years	64	32%
	> 50 Years	93	46,5%
Education Level	Senior High School	116	58%
	Diploma	14	7%
	Bachelor	68	34%
	Magister	2	1%
Job Experience	0-5 Years	26	13%
	6-10 Years	19	9,5%
	11-15 Years	52	26%
	> 15 Years	103	51,5%

Source: data processed

Based on Table 3 above, the respondents in this study consisted of 158 (79%) men and 42 (21%) women, indicating a male predominance among civil servants. In terms of age, the majority of respondents were over 51 years old, at 93 (46.5%). This age group falls within the late productive age category, which generally has substantial work experience. With this experience, civil servants are expected to assume a high level of responsibility, be able to work quickly and responsively, and demonstrate stable and reliable performance. In terms of educational background, the majority of respondents, 116 (58%), were high school graduates.

This indicates that most civil servants have a secondary education background, which generally provides them with sufficient basic knowledge and skills to carry out their duties and understand work procedures within the agency. With this level of education, civil servants are expected to be able to think critically and have a structured work pattern in accordance with applicable operational standards. Furthermore, based on tenure, the largest number of respondents, 103 (51.5%), had more than 15 years of service. This long tenure indicates that the majority of civil servants possess experience and a good understanding of their jobs and are considered accustomed to facing various situations and challenges in carrying out their duties.

**Table 4.** Results of the Loading Factor Test

Variable	Indicators	Standard Loading
Compensation Suitability ( $X_1$ ) – KK	KK1	0.854
	KK2	0.939
Effectiveness of Internal Control System ( $X_2$ ) – PI	PI1	0.734
	PI2	0.886
	PI3	0.874
	PI4	0.831
	PI5	0.759
Organizational culture ( $X_3$ ) – BO	BO1	0.784
	BO3	0.770
	BO4	0.753
	BO5	0.876
Civil Service Competence ( $X_4$ ) – KA	KA1	0.830



Variable	Indicators	Standard Loading
Morality (X <sub>5</sub> ) – MA	KA2	0.898
	KA3	0.867
	MA1	0.915
	MA2	0.921
	MA3	0.812
Political Connections (X <sub>6</sub> ) – KP	KP1	0.878
	KP2	0.897
Fraud (Y) – F	F1	0.707
	F2	0.807
	F3	0.908
	F4	0.864
	F5	0.858
Religiosity (M) - R	F6	0.885
	R1	0.873
	R2	0.895
	R3	0.902
	R4	0.902
	R5	0.809

Source: data processed

Table 4 shows that all statement items have a loading factor value  $> 0.70$ , thus all are considered valid. This indicates that the indicators used successfully measure the correlation between indicator scores and their constructs/variables, thus supporting the construct validity of the measurement model.

**Table 5.** AVE Results

Variable	AVE
Compensation Suitability (X <sub>1</sub> )	0.805
Effectiveness of Internal Control System (X <sub>2</sub> )	0.671
Organizational culture (X <sub>3</sub> )	0.635
Civil Service Competence (X <sub>4</sub> )	0.749
Morality (X <sub>5</sub> )	0.782
Political Connections (X <sub>6</sub> )	0.788
Fraud (Y)	0.707
Religiosity (M)	0.769

Source: data processed

The output of the estimated average variance extracted (AVE) can be seen in table 5. A variable is considered valid if it has an average variance extracted (AVE) value  $> 0.5$  (Hair et al., 2019). Based on table 4.5 above, the AVE value of each variable is compensation suitability of 0.805, internal control system effectiveness of 0.671, organizational culture of 0.635, apparatus competence of 0.749, apparatus morality of 0.782, political connections of 0.788, fraud of 0.707 and religiosity of 0.769. All these variables have a value  $> 0.5$  meaning they are categorized as valid.

**Table 6.** Cronbach Alpha values

Variable	Cronbach Alpha
Compensation Suitability (X <sub>1</sub> )	0.767
Effectiveness of Internal Control System (X <sub>2</sub> )	0.876
Organizational culture (X <sub>3</sub> )	0.807
Civil Service Competence (X <sub>4</sub> )	0.832
Morality (X <sub>5</sub> )	0.861
Political Connections (X <sub>6</sub> )	0.731
Fraud (Y)	0.916
Religiosity (M)	0.925

Source: data processed

Construct Reliability can be analyzed using one of two methods: Cronbach's Alpha and Composite Reliability. Both methods are used to test the reliability of indicators in a variable. Cronbach's Alpha is an important indicator in testing variable reliability in the PLS-SEM model. A high Cronbach's Alpha value indicates that the construct is measured well and consistently for measurement reliability in PLS analysis. Conversely, a low Cronbach's Alpha value may indicate that the indicators used are not reliable enough and need to be improved or replaced. Based on Table 6 above, the Cronbach's Alpha value for the compensation suitability variable is 0.767, the effectiveness of the internal control system is 0.876, organizational culture is 0.807, apparatus competence is 0.832, apparatus morality is 0.861, political connections is 0.731, fraud is 0.916, and religiosity is 0.925. All Cronbach's Alpha values are > 0.70, so all variables have good reliability.

**Table 7.** Composite Reliability Values

Variable	Composite Realibility
Compensation Suitability (X <sub>1</sub> )	0.861
Effectiveness of Internal Control System (X <sub>2</sub> )	0.883
Organizational culture (X <sub>3</sub> )	0.811
Civil Service Competence (X <sub>4</sub> )	0.834
Morality (X <sub>5</sub> )	0.887
Political Connections (X <sub>6</sub> )	0.734
Fraud (Y)	0.921
Religiosity (M)	0.929

Source: data processed

Composite Reliability is used to ensure the internal consistency of the indicators that form the latent variables. In Smart PLS, Composite Reliability is the primary tool for measuring reliability with a value > 0.70 considered to meet the standards for research. Based on table 4.8 above, the Composite Reliability value for the compensation suitability variable is 0.861, the effectiveness of the internal control system is 0.883, organizational culture is 0.811, apparatus competence is 0.834, apparatus morality is 0.887, political connections is 0.734, fraud is 0.921 and religiosity is 0.929. All Composite Reliability values are > 0.70, so all variables have good reliability.

**Table 8.** R-Square Value

Dependent	R-Square	Adjusted R-Square
Fraud	0.588	0.559

Source: data processed



The R-Square in PLS-SEM measures how well the latent variables in the model can explain the variability of the latent endogenous variables. The R-Square value indicates the overall predictive power of the model. The R-Square value is 0.75 (strong), 0.50 (moderate), and 0.25 (weak). Based on Table 8 above, it shows that the R-Square value is 0.588, which means that all exogenous variables and moderating variables influence the endogenous variables by 58.8%, which is categorized as a moderate influence, and the remaining 41.2% is influenced by other factors outside this research model.

**Table 9.** Hypothesis Test Results

Variable	Coefficient	t-statistics	p-value	Conclusion
Compensation Suitability → Fraud	-0.049	0.608	0.272	Rejected
Effectiveness of Internal Control System → Fraud	0.353	4.289	0.000	Accepted
Organizational culture → Fraud	-0.258	2.567	0.005	Accepted
Civil Service Competence → Fraud	0.213	2.284	0.011	Accepted
Morality → Fraud	-0.028	0.271	0.393	Rejected
Political Connections → Fraud	-0.130	2.080	0.019	Accepted
Religiosity * Compensation Suitability → Fraud	0.073	0.723	0.235	Rejected
Religiosity * Effectiveness of Internal Control System → Fraud	-0.206	1.716	0.043	Accepted
Religiosity * Organizational culture → Fraud	0.123	0.820	0.206	Rejected
Religiosity * Civil Service Competence → Fraud	0.110	1.092	0.138	Rejected
Religiosity * Morality → Fraud	0.118	0.926	0.177	Rejected
Religiosity * Political Connections → Fraud	-0.022	0.300	0.382	Rejected

Source: data processed

Hypothesis testing was conducted through analysis of the Path Coefficients values presented in Table 9 to determine the direction of the relationship between variables. Bootstrapping was used to determine the significance of the influence between variables. In this test, the hypothesis is accepted if the t-statistic is >1.65 (one-tailed) and the p-value is <0.05.

Based on the results of the hypothesis test, the original sample value was -0.049, the t-statistic was 0.608 (<1.65), and the p-value was 0.272 (>0.05). This indicates that H1 is rejected. This means that compensation suitability does not significantly influence the potential for fraud in village fund management. Although the direction of the relationship between compensation suitability and fraud aligns with the fraud hexagon theory, which states that appropriate compensation can reduce the pressures that drive individuals to commit fraud, this effect is not statistically significant. Therefore, the results of this study cannot yet be used as empirical evidence to support this theory. This weak significance indicates that compensation suitability may not be the primary factor creating stress in the context of village fund management, or that other factors may be more influential and not fully captured in this research model.

Although the effect was not significant, the negative direction of the relationship found still suggests a tendency for appropriate compensation to reduce the potential for fraud in village fund management. This means that when officials perceive that the compensation they receive is fair and commensurate with the responsibilities they carry, the tendency to commit fraud tends to decrease. However, in this study, this effect was not significant or had a weak level of significance. This weak level of significance could be due to the possibility

that compensation is not the primary determinant of fraudulent intentions or actions. Furthermore, the rejection of this hypothesis could also be influenced by differences in respondents' perceptions of their level of satisfaction with the compensation they received, leading to inconsistencies in the data and weakening the strength of the relationship between the variables. This finding aligns with research by Rosifa & Supriatna (2022), which stated that compensation suitability has a negative, but not significant, effect on fraud.

Based on the results of the hypothesis test, the original sample value was 0.353, with a t-statistic of 4.289 ( $>1.65$ ), and a p-value of 0.000 ( $<0.05$ ). Therefore, it can be concluded that H2 is accepted. This means that the effectiveness of the internal control system has a significant positive effect on fraud in village fund management. These results indicate that the higher the effectiveness of the internal control system, the greater the potential for fraud. This positive relationship contradicts the theoretical assumptions underlying the variable and thus does not support the fraud hexagon theory. This suggests that the existence of an internal control system deemed effective does not necessarily automatically reduce the potential for fraud, depending on the quality of implementation and compliance with applicable procedures.

This situation may occur because the existing internal controls have not been implemented comprehensively and effectively, or perhaps there are still weaknesses in the monitoring process. In other words, the implemented internal control system is only administrative in nature and is not accompanied by actual implementation in the field. This finding aligns with research by Sari et al. (2019) and Mulyanto et al. (2021) stated that internal control variables have a significant positive effect on the potential for village fund fraud, indicating that internal controls are being effectively implemented, enabling village officials to operate responsibly. However, the potential for village fund fraud continues to increase.

Based on the results of the hypothesis test, the original sample value was -0.258, with a t-statistic of 2.567 ( $>1.65$ ), and a p-value of 0.005 ( $<0.05$ ). Therefore, it can be concluded that H3 is accepted. This means that organizational culture has a significant negative effect on fraud in village fund management. The direction of this negative relationship indicates that the better the organizational culture implemented, the lower the potential for fraud. These results align with and support the fraud hexagon theory because they provide evidence that a strong organizational culture can suppress individuals' tendencies to commit fraud. The findings of this study align with those of Sri et al. (2020) and Basri et al. (2021), who found that organizational culture has a significant influence in reducing the tendency to commit fraud. This practice aligns with the principles of organizational culture that uphold the values of ethics, openness, and responsibility. A strong organizational culture can create a work environment that keeps village officials from committing fraud in carrying out their duties. Furthermore, a strong organizational culture also raises awareness that fraud not only harms the institution but also undermines public trust in village government. Therefore, strengthening organizational culture is a strategic step in creating clean and accountable village financial governance.

Based on the results of the hypothesis test, the original sample value was 0.213, the t-statistic was 2.284 ( $>1.65$ ), and the p-value was 0.011 ( $<0.05$ ). Therefore, it can be concluded that H4 is accepted. This means that apparatus competence has a significant positive effect on fraud in village fund management. The direction of this positive

relationship indicates that the higher the level of competence possessed by village officials, the greater the potential for fraud. This finding supports the fraud hexagon theory, as it suggests that certain abilities or expertise possessed by officials can be misused to manipulate the system, exploit oversight gaps, and evade fraud detection. The findings of this study align with those of Suryandari & Pratama (2021) and Rosifa & Supriatna (2022), which suggest that competence has a significant positive effect on the potential for fraud. Increasing the competence of village officials in managing village funds can actually open up opportunities for fraud. Competent civil servants are usually trusted to hold strategic positions, but according to Putra & Rahayu (2019), positions can encourage deviant behavior.

Based on the results of the hypothesis test, the original sample value was -0.028, with a t-statistic of 0.271 ( $<1.65$ ), and a p-value of 0.393 ( $>0.05$ ). Therefore, it can be concluded that H5 is rejected. This means that the morality of village officials does not significantly influence fraud in village fund management. The negative direction of the relationship does indicate that the higher a person's morality, the lower the potential for fraud. However, because this effect is not statistically significant, this finding cannot be used as empirical evidence to support the fraud hexagon theory. This discrepancy indicates that morality, although conceptually considered capable of suppressing fraudulent acts, has not been proven in practice to be a determining factor in encouraging or preventing fraud. To further understand why morality does not significantly influence the potential for fraud, it is necessary to examine the possible gap between the moral values believed in and actual behavior in the field. One reason could be that the moral values understood by village officials are not always implemented in their daily lives, especially when they are under work pressure or in an unsupportive environment. In such situations, decisions are often more influenced by field conditions, such as weak supervision, a work culture that allows for deviations, or pressure from superiors, than by moral principles. Another possibility that needs to be considered is the presence of bias in the questionnaire, such as answers being adjusted to appear favorable, so that the collected data does not fully reflect the true moral condition of village officials. This weakness could affect the validity of the results and explain why no significant relationship was found. These results also suggest that in reality, other factors have a greater influence on fraud. This contrasts with the research of Hadi et al. (2021), which stated that individual morality had a negative and significant effect on the tendency to commit fraud in village financial management. This means that the lower the level of morality of village officials, the higher the likelihood of fraud.

Based on the results of the hypothesis test, the original sample value was -0.130, the t-statistic was 2.080 ( $>1.65$ ), and the p-value was 0.019 ( $<0.05$ ). Therefore, it can be concluded that H6 is accepted. This means that political connections have a significant negative effect on fraud in village fund management. The direction of this negative relationship indicates that the stronger the political connections a village official has, the lower the potential for fraud. This finding contradicts the assumption that political connections can increase the opportunity for abuse of power. Therefore, these results do not support the fraud hexagon theory, which identifies such relationships as a trigger for fraud. The reduced potential for fraud among officials with political connections can be explained by greater social burdens and moral responsibility. Individuals with close ties to political figures or government institutions may feel the need to maintain their image and reputation, both for themselves and for the parties involved. Therefore, they are more cautious in making decisions, including regarding the management of village funds. Furthermore, greater public

attention to figures with political connections may encourage officials to comply more closely with regulations to avoid negative attention. These results differ from those of Wang et al. (2017) and Matangkin (2018), which found that political connections have a significant positive effect on fraud.

Based on the results of the hypothesis test, the original sample value was 0.073, with a t-statistic of 0.723 ( $<1.65$ ), and a p-value of 0.235 ( $>0.05$ ). Therefore, it can be concluded that H7 is rejected. This means that compensation suitability, moderated by religiosity, does not significantly influence fraudulent village fund management. The results of this study indicate that the level of religiosity of village officials is not strong enough to strengthen the impact of perceived appropriate compensation on fraudulent behavior. This may occur because personal or ritualistic religiosity does not necessarily translate into moral awareness that encourages ethical behavior in the workplace. Furthermore, existing compensation systems, such as salaries or benefits, may be perceived as adequate, so religiosity does not significantly strengthen the feeling of "adequacy" that prevents someone from committing fraud. The findings of this study align with the research of Gunanti et al. (2024), which suggests that religiosity does not strengthen the effect of compensation in reducing fraud.

Based on the results of the hypothesis test, the original sample value was -0.206, t-statistics 1.716 ( $> 1.65$ ), and p-value 0.043 ( $< 0.05$ ). Thus, it can be concluded that H8 is accepted. This means that religiosity plays a significant moderator in the relationship between the effectiveness of the internal control system and fraud in village fund management. The results of this study indicate that when village officials have high religiosity, the effectiveness of the internal control system becomes more impactful in suppressing fraudulent intentions and actions. High religiosity strengthens the moral awareness and responsibility of the officials, so that control systems such as procedures, supervision, and audits work more optimally in reducing the opportunity for misappropriation of village funds. The results of this study are in line with the findings of Refina Sari & Yusmanianti (2024) who stated that the effectiveness of internal control and religiosity can increase the effectiveness of fraud prevention. It can be concluded that the higher the compliance with rules and supervision, and the higher the faith (religiosity), the lower the level of fraud in village fund management.

Based on the results of the hypothesis test, the original sample value was 0.123, with a t-statistic of 0.820 ( $<1.65$ ), and a p-value of 0.206 ( $>0.05$ ). Therefore, it can be concluded that H9 is rejected. This means that organizational culture, moderated by religiosity, does not significantly influence fraud in village fund management. This study's findings align with the findings of Abrori et al. (2023), who stated that organizational culture does not moderate the effect of religiosity on fraud prevention. This means that although religiosity is related to ethical awareness, organizational culture does not strengthen or weaken religiosity in suppressing fraud. Religiosity may be normative and not reflected in daily practice, especially if religious values and organizational norms are not synchronized in concrete actions. The combined effect of these two variables is not strong enough to reduce fraud.

Based on the results of the hypothesis test, the original sample value was 0.110, the t-statistic was 1.092 ( $<1.65$ ), and the p-value was 0.138 ( $>0.05$ ). Therefore, it can be concluded that H10 is rejected. This means that the competence of village officials, moderated by religiosity, does not have a significant effect on fraudulent village fund

management. The results of this study indicate that although village officials have adequate skills and high faith, the combination of the two has not had a significant effect in preventing fraudulent practices in the field. One possible cause is the inconsistency between the moral principles believed individually and the reality faced in the daily work context. In village government management, the abilities of officials tend to be more directed at technical and administrative aspects. On the other hand, religiosity is personal and normative. If both are not accompanied by an organizational environment that upholds ethics, adequate oversight mechanisms, and exemplary leadership, their influence on reducing deviant behavior will be less effective. The results of this study are in line with the research of Charim et al. (2023) who stated that religiosity does not moderate the relationship between apparatus competence and efforts to prevent village fund fraud.

Based on the results of the hypothesis test, the original sample value was 0.118, with a t-statistic of 0.926 ( $<1.65$ ), and a p-value of 0.177 ( $>0.05$ ). Therefore, it can be concluded that H11 is rejected. This means that the morality of village officials, moderated by religiosity, does not significantly influence fraud in village fund management. The results of this study indicate that although village officials have a fairly good level of morality and a high level of religiosity, both have not shown a significant effect in reducing the potential for fraud in village fund management. This means that beliefs in personal moral and religious values are not fully reflected in concrete actions in the workplace. Even though someone has a high moral orientation and religiosity, their decision-making is more influenced by the situation and work environment they face, rather than by personal moral principles. Furthermore, symbolic or ritualistic religiosity can also be a reason why these values do not have a significant impact. Religiosity that is not accompanied by a strong internalization of ethical and spiritual values will struggle to act as a filter in facing the temptation of fraud or abuse of authority. These results are supported by research conducted by Mita & Indraswarawati (2021), which states that morality and religiosity do not have a significant effect on fraud.

Based on the results of the hypothesis test, the original sample value was -0.022, with a t-statistic of 0.300 ( $<1.65$ ), and a p-value of 0.382 ( $>0.05$ ). Therefore, it can be concluded that H12 is rejected. This means that political connections, moderated by religiosity, do not significantly influence fraud in village fund management. The results of this study indicate that although there is a high level of religiosity among village officials, this has not been able to significantly suppress the negative influence of political connections on the potential for fraud in village fund management. In other words, personally held religious values cannot necessarily weaken the impact of political connections held by village officials. In such conditions, the influence of religiosity can be marginalized by practical political interests, especially when religious values are not strongly internalized in work behavior and existing organizational culture. This finding is in line with the research of Hasnindiaz & Widodo (2024) which states that religiosity is unable to moderate the influence of political connections on village fund fraud.

## CONCLUSION

This study aims to analyze the influence of the fraud hexagon elements on the potential for fraud in village fund management, with religiosity as a moderating variable. The results indicate that the effectiveness of the internal control system and the competence of village officials have a significant positive effect, while organizational culture and political connections have a significant negative effect. Compensation suitability and village officials'



morality have no significant effect. Religiosity only moderates the relationship between the effectiveness of the internal control system and fraud, but does not moderate the relationships between compensation suitability, organizational culture, village officials' competence, village officials' morality, and political connections. Based on the research results described above, relevant agencies are advised to continue strengthening and improving their village fund management oversight systems to minimize the potential for fraud. Village fund managers are expected to demonstrate a strong sense of responsibility in carrying out their duties, as any actions that suggest fraud, even if only suspicion, cannot be justified.

The results of this study are acceptable, provided that the limitations of this study are taken into account. This study has several weaknesses and limitations. First, several questionnaire items can sometimes introduce bias, as their formulation needs to be tailored to the conditions and characteristics of the respondents. Second, data obtained through written questionnaires can influence the results, as respondents' perceptions may not necessarily reflect the actual situation and may differ from data obtained through interviews. Therefore, future research should include a larger sample size, an extended research period, and data enhancement using interviews or observation methods to enhance understanding of respondents' responses, resulting in more accurate results.

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