

## **The Influence of the Government Internal Control System as a Mediator in the Influence of the Village Financial System Application on Fraud Prevention**

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### **ABSTRACT**

This study aims to analyze the influence of the Village Financial System (SISKEUDES) application in efforts to prevent fraud in village fund management and increase the influence of the Government Internal Control System (SPIP) as a mediation with a study in Kotabaru District, Karawang. This study is one type of quantitative research with path analysis. Data collection was carried out using a questionnaire, then the data was processed using the SMART PLS tool. The samples obtained from this study were intended for the head of financial management, head of planning, village secretary, and staff. The results of this study state that the SISKEUDES Application directly affects fraud prevention. Likewise, SPIP has a high mediation effect on fraud prevention in village management.

Keywords: SISKEUDES application, SPIP, fraud prevention, village funds

### **INTRODUCTION**

The Government Internal Control System (SPIP) is a form of framework that aims to improve accountability and transparency in the management of state finances. Government Regulation No. 60 of 2008, SPIP aims to ensure that all government activities run effectively, efficiently, and under regulations. (Republic of Indonesia, n.d.). The Siskeudes (Village Financial System) application plays a very important role in supporting the implementation of the Government Internal Control System (SPIP) at the village level. With the SISKEUDES application, the principles of the government internal control system have been brought to life.

Regulation of the Minister of Home Affairs No. 113 of 2014 concerning village financial management has explained that village officials are obliged to prepare and strive to account for village finances based on the SISKEUDES application. The Siskeudes application uses a Microsoft Access

database so it is more portable and easy to apply even for novice application users. Technically, village financial transactions are included in the small-scale group, so it is more appropriate to be handled easily with this Microsoft Access database. The use of applications using the SQLServer database is only intended for certain purposes or transaction volumes that are already in the medium-scale category. This Siskeudes application is intended for village government officials to facilitate village financial management from the planning stage to the reporting/accountability stage. (Admin Sawarna Timur, 2024)

The implementation of the SISKUEDES application in its journey still has many obstacles, one of which is in the facilities available in the village in the form of PC devices to the competence of village officials in operating the application. It is undeniable that the existence of the SISKEUDES Application is very important in efforts to prevent fraud in the village. We know that the village fund budget has increased every year. Since 2020, village funds have tended to increase from the previous year. Where in 2020 the village fund has been budgeted at 70 trillion and this tends to increase every year (DJB Kemenkeu, 2020). With the increase in the village fund budget that has been set, the potential for fraudulent behavior is increasing. Since 2016, there have been various cases of embezzlement of village funds which have totaled a loss to the state of approximately 2.8 billion carried out by village officials. In addition to these cases, other fraud cases have also emerged such as misuse of budgets, data manipulation, corruption in development projects cases of fraud and collusion. (Indonesia Corruption Watch, 2018). This research aims to become a focal point for strengthening the government's internal control system from the perspective of enhancing the implementation of SISKEUDES.

## **LITERATURE REVIEW**

### **Village Financial System Application (SISKEUDES)**

The SISKEUDES application was developed by the Financial and Development Supervisory Agency (BPKP) with an approach to local governments, this will make it easier to report the finances of all villages into an attachment to the LPPD (Village Government Administration Report) in line with laws and regulations. (*Materi Aplikasi Siskeudes Versi 2.06*, 2023). The local government has a vital role in the development, development, and implementation of applications through regulations that are in line with laws and regulations. The Siskeudes application can accommodate all regulations related to village finances. Not only that, the Siskeudes application is conceptualized in an integrated, user-friendly, and desktop application manner and has an internal regulatory system that is attached and efficient in creating financial data reporting.

Based on research conducted by (Rizki Ramadhan & Priyanti, 2022) stated that the implementation of the Siskeudes application in Telukjambe Village is still ineffective, but the implementation of Siskeudes is by the regulations. Several things that still need to be fixed such as the competence and operators of SISKEUDES, as well as the disposition and structure of the bureaucracy in the implementation of Siskeudes are lacking an evaluation of the implementation of the application.

### **Government Internal Control System (SPIP)**

In Government Regulation Number 60 of 2008, concerning the Government Internal Control System (SPIP) requires every government agency, both central and regional governments, to carry out control over the implementation of government activities, guided by the internal control system as regulated in the government regulation. To strengthen the PerPu, the President of the Republic of Indonesia issued Presidential Instruction Number 9 of 2014 (Republic of Indonesia, 2014) concerning Improving the Quality of the Internal Control System and the Reliability of the Implementation of the Internal Supervisory Function in the Framework of Realizing People's Welfare. The Presidential Instruction mandates accelerating the effectiveness of the implementation of the government's internal control system in managing state/regional finances and national development according to the scope of each task and function. Following PP Number 60 of 2008 (Republic of Indonesia, n.d.) the SPIP components consist of five aspects, namely the control environment, risk assessment, control activities, information and communication, and internal control monitoring.

(Abdul Rahman et al., 2019) Stated that an effective internal control system will have an impact on assessing business risks and have an impact on preventing fraud in the organization. In line with research conducted by (Pane, 2018) which states that a positive relationship between the Government Internal Control System and fraudulent behavior explains that the better the implementation of the government internal control system in government agencies, the less fraudulent acts or in this study are assessed as fraudulent behavior. The better the assessment of fraudulent behavior indicates the less fraud occurs.

### **Fraud Prevention**

According to (Albrecht et al., 2015) fraud prevention is eliminating the opportunity or chance to commit fraud by building and implementing risk management (especially fraud risk management), internal control, and honest corporate governance. Fraudulent behavior can be prevented by taking several preventive measures (Rahayu & Suhayat, 2010) as follows,

- Improve Internal Control, instill fraud awareness, and assess fraud risk assessment.

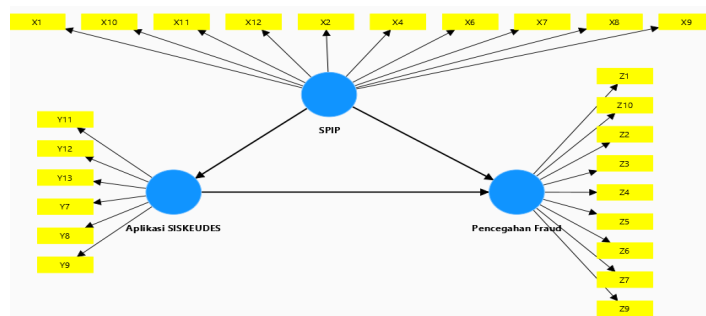
- Conduct strict employee selection, use psychologists, and avoid recruitment.
- Provide adequate compensation for all employees and create a sense of belonging and achievement for employees who excel.
- Conduct spiritual guidance and provide strict sanctions for individuals

Fraud prevention is a mandatory requirement in every organization. Most companies face several risks and have the potential to cause damage. The reasons why someone commits fraud need to be known by the organization so that the organization can develop effective ways to deal with fraud problems such as limiting the opportunity for fraud to occur and reducing the potential ability of perpetrators to rationalize their actions. It is very important to establish a comprehensive system of policies and procedures to minimize the possibility of fraudulent activities. With the existence of fraud prevention efforts, it can help ensure business stability and continuity.(Dzomira, 2015)

## RESEARCH METHOD

This research is quantitative research which is a research that tests the research hypothesis using existing theories and taking a large amount of data. (Sugiyono, 2019). This study uses a questionnaire for data collection with the sample criteria being a purposive sample. The criteria set in selecting data sources are financial managers and village apparatus planning in Kotabaru District, Karawang. The villages used in this sample are Sarimulya Village, West Jomin, East Jomin, South Pangulah, North Pangulah, New Pangulah, Wancimekar, Pucung and North Cikampek. The analysis tool after the data is collected is to use Smart PLS with path analysis. The following is the research model,

Figure 1. Research Model



## RESULT AND DISCUSSION

### Descriptive Analysis of Respondents

Based on the questionnaire that has been distributed, the distribution of respondents was obtained based on the length of service and tenure as village officials,

**Table 1 Distribution of Respondents by Length of Service**

Length of Service in Years	Number of Years
< 2 years	2
2 - 5 years	16
>5	12
No Answer	4

Source: Data obtained (2024)

Based on the data, it is stated that 16 people have worked for 2-5 years and 12 people have worked as village officials for more than 5 years. Based on the data, the village officials are considered to have sufficient experience in their fields.

**Evaluation of Measurement Model**

The following is an evaluation of the measurement model of the three variables tested.,

**Table 2. Evaluation of Measurement Model**

Variable	Statement	Outer loading	Reliability	Ave
Government Internal Control System	There is continuous monitoring regarding the implementation of asset security	0.756	0.916	0.686
	There is conducive leadership in the work environment	0.719		
	There is a review of performance related to asset management in the process of securing fixed assets owned by the agency.	0.860		
SISKEUDES Application	I feel that with this application, village financial records can be neatly arranged and accurate.	0.794	0.937	0.625
	I feel that the financial application system already displays the required reports.	0.875		
	I feel real-time access to information	0.789		
Fraud Prevention	The agency where you work has implemented controls on asset documents.	0.859	0.937	0.625
	There are sanctions for violating the code of ethics that exist in the agency.	0.737		
	The agency where you work has divided functions in each unit.	0.741		

Source: Data obtained (2024)

Based on the data above, all the indicators tested have met the standard, namely  $> 0.70$ . According to (Hair et al., 2021a) state that an indicator can be said to be valid if it has an outer loading value above 0.70. The Average Variance Extract (AVE) value must also exceed  $> 0.5$  and a variable is said to be reliable if its Composite Reliability (CR) value is greater than 0.7. Based on Table 2, the AVE value and composite reliability value have also exceeded the provisions given. According to (Ghozali & Latan, 2015) states that if Cronbach's alpha value exceeds 0.6. The results of the Cronbach Alpha test on the three variables are SPIP (0.938), SISKEUDES Application (0.885), and Fraud Prevention (0.925), this shows that all variables are  $> 0.6$  and are declared reliable.

### Structural Model Evaluation

The results of the tests that have been carried out obtained that all indicators have a VIF value  $< 0.5$ . (Hair et al., 2021) stated that the multicollinearity test aims to evaluate the correlation between independent variables and determine whether there is multicollinearity. To test the relationship between variables, a hypothesis test is carried out by looking at the p-value. (Hair et al., 2021) stated that if the p-value is less than 0.05, the research hypothesis can be accepted.

**Table 3 Hypothesis Testing Results**

	Path coefficients	p values	Low limit	Up Limit	F square
<b>SISKEUDES Application -&gt; SPIP</b>	0.767	0.000	0.656	0.874	1.430
<b>SISKEUDES Application -&gt; Fraud Prevention</b>	0.465	0.004	0.139	0.763	0.366
<b>SPIP -&gt; Fraud Prevention</b>	0.461	0.015	0.100	0.820	0.359
<b>SISKEUDES Application -&gt; SPIP -&gt; Fraud Prevention</b>	0.353	0.023			0,118 (upsilon v)

Source: Data obtained (2024)

Based on Table 3, the hypothesis test of this study shows that the three direct and indirect variables have values less than 0.05 and this indicates that all of these variables are accepted. (Hair et al., 2021b) provides criteria for evaluating the influence of direct variables at the structural level by looking at the f-square value, where an f-square of 0.02 is considered low, 0.15 is considered moderate, and 0.35 is considered high. The magnitude of the f square of the three variables shows a high influence. Meanwhile, the magnitude of the mediation effect in this study was stated as moderate with a value of

0.118 with criteria where the mediation effect is categorized as low (0.02), moderate (0.075), and high (0.175). (Ogbeibu et al., 2021).

## **Discussion**

### **The Influence of Village Financial System Applications on Fraud Prevention**

Based on the research hypothesis test, the Village Financial System Application (SISKEUDES) affects Fraud Prevention. This is in line with research conducted by (Afriady, 2024) which states that the Village Financial System Application has an effect on fraud prevention in Purwakarta village. In addition, the Village Financial System Application has had a positive effect on the performance of each employee because its existence greatly helps the work of village employees. (Fitriansyah & Halilintar, 2024).

The implementation of the Village Financial System Application in Kotabaru District, Karawang is also considered effective. The application presented can produce the required reports such as the Village Medium-Term Development Plan, Village Development Work Plan, Village Regulations, Village Revenue and Expense Budget and its Explanation, Village Financial Administration Books or Documents such as General Cash Books, Bank Books, Tax reports, payment request letters, etc.), Village Revenue and Expense Budget Realization Report, Realization Report per source of funds, and Compilation Report at the Regional Government Level (Asih et al., 2022). In addition, the SISKEUDE Application also assists in the monitoring and audit process and on an electronic basis makes it easier to implement control over asset documents.

### **The Influence of the Government Internal Control System as a Mediator in Fraud Prevention**

Based on the testing in this study, shows that the Government's Internal Control System has succeeded in mediating fraud prevention in the village. Indirectly, the SISKEUDES Application can strengthen the Government's Internal Control System and also affect prevent village fraud. This is in line with research conducted by (Alfiansyah & Afriady, 2022) Which states that the government's internal control system has a positive effect on fraud prevention. The results of research conducted by (Dwi Kusumastuti et al., 2024) States that SPIP affects preventing village fund fraud. The better the internal control in the agency, the lower the tendency of accounting fraud. This is due to the supervision and evaluation of operational activities in the agency. (Wirakusuma & Setiawan, 2019)

The implementation of the Government Internal Control System in Kotabaru District, Karawang has also conducted periodic reviews of performance related to asset management and the existence of control over information systems related to asset security. The existence of this internal control system shows that the SPIP in the village government is fairly good. Even so, the village government of Kotabaru

District, Karawang also needs to create a conducive leadership atmosphere in the work environment and enforce integrity and ethical values in implementing each work program. Even if necessary, there needs to be sanctions if they violate the existing code of ethics for village officials.

## **CONCLUSION**

The results of this study are in line with previous theories and studies that the role of the Village Financial System Application is very important, it has a great influence on the government's Internal Control System and the prevention of fraud in managing village funds. This is because the role of the SISKEUDES application can facilitate input of village budget plans and village fund planning. The output produced by this application has also met the financial reporting criteria set by the government. On the other hand, this SISKEUDES application also needs to be re-developed such as cloud-based recording and the application system refinement.

The role of Government's Internal Control System also plays a strategic role in preventing fraud in the management of village funds. Village officials have always reviewed the performance achievements of each function and the reporting of the village asset information system that has been good needs to be maintained and has been assisted by the SISKEUDES Application. Suggestions for future research are that it is necessary to conduct in-depth interviews related to matters and obstacles encountered in the use of the SISKEUDES application.

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