THE MEDIATION ROLE OF INTERNAL CONTROL EFFECTIVENESS ON FACTORS INFLUENCING FRAUD PREVENTION IN VILLAGE FINANCIAL MANAGEMENT

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Abstract

This study aims to analyze and provide empirical evidence regarding the role of mediation of the effectiveness of internal control on factors that affect fraud prevention such as the competence of village officials, transparency, accountability, and individual morality in village financial management. This research was carried out in 83 villages located in Buton Regency, Southeast Sulawesi Province. The research sample amounted to 415 people through a sampling technique using proportionate stratified random sampling with sampling units, namely the village head, village secretary, finance head, and the Village Consultative Body. The research data was collected through a questionnaire and analyzed by testing the mediation effect using WarpPLS 5.0 software. The results of the study show that the competence of village officials, transparency, accountability, and effectiveness of internal control have a direct influence on fraud prevention, while individual morality has no direct or indirect influence on fraud prevention. The testing of the mediation effect was fulfilled by two paths as partially mediating and two pathways were found to have no mediation effect. The implications of this study show that the effectiveness of internal control is a mediating variable for influencing factors in fraud prevention. This condition confirms the effectiveness of internal control as an internal control mechanism that can increase fraud prevention in village financial management.

Keywords: effectiveness of internal control, competence of village apparatus, transparency, accountability, individual morality, fraud prevention, village finance.

Introduction

Fraud is a deliberate act to deceive or harm another party in an unauthorized way. This phenomenon has become a global concern through various fraud modus operandi along with the development of information technology that provides opportunities for fraud perpetrators to carry out actions more sophisticated and difficult to detect. For example, the use of software to manipulate financial data or fraud involving phishing and cyberattacks. Research by Kaur *et al*., (2023) shows that lack of understanding of information technology among employees can increase the risk of fraud.

The negative impact caused by fraud is increasing as many organizations adopt a more proactive approach in detecting and preventing fraud. The approach included the application of technology such as forensic accounting and sophisticated information systems to monitor financial transactions in real-time (Afriyie *et al*., 2023). This approach aims to minimize various factors that can trigger fraud, both in the public and private sectors. One of the main factors in fraud is weak internal control. Organizations that do not have strong controls are more susceptible to fraud (Alfordy, 2022). The effectiveness of good internal controls should include clear procedures for fund management, regular internal audits, and training for employees on ethics and compliance.

Other factors such as organizational culture also play an important role in determining the behavior of individuals committing fraud. Organizations that have a culture that supports transparency and accountability tend to have lower fraud rates. On the other hand, organizations that ignore ethics and do not follow up on fraudulent actions can create an environment conducive to fraud (Halim, 2019). This condition requires organizational leaders to be committed to building an organizational culture that emphasizes integrity and responsibility. In addition, a lack of competencies such as education and understanding of financial governance can also be factors that cause fraud. Many individuals involved in village fund management do not have a sufficient educational background in accounting or financial management. This can lead to errors in fund management, which in turn can be used by certain parties to commit fraudulent acts (Kusumo *et al*., 2022).

In Indonesia, fraud is a significant problem, especially in the public sector such as corruption cases involving public officials have a negative impact on society and the economy. A survey conducted by Transparency International shows that around 60% of respondents in Indonesia believe that corruption is a serious problem that affects daily life (Transparency International, 2021). In addition, a 2021 report by the Financial and Development Supervisory Agency (BPKP) stated that cases of corruption and fraud in the public sector continue to increase from year to year. Fraud can occur in various forms, including abuse of authority, embezzlement of funds, and manipulation of financial statements (Nugroho *et al*., 2022). The report also revealed that around 30% of the total village funds managed are in irregularities, and around 20% of the total village funds managed in Indonesia have the potential to be irregularities (Ministry of Villages, 2022).

Village financial management in Indonesia has undergone a significant transformation since the enactment of Law Number 6 of 2014 concerning Villages (Village Law). This law gives greater autonomy to villages in managing financial resources, including village funds allocated by the central government. Village funds aim to improve community welfare and accelerate infrastructure development in villages (Permatasari *et al*., 2021). However, a big challenge in managing this fund is the rampant fraud practices that can hinder the achievement of these goals. This phenomenon is a serious concern, considering that the village funds allocated every year continue to increase (Aminudin, 2019; Mufidah & Herawaty, 2023; Wahyudin *et al*., 2020).

Some of the findings of BPK RI Representative of Southeast Sulawesi Province in 2024 indicate the opportunity for fraud in the planning stages of village financial management, especially village governments in Buton Regency, Southeast Sulawesi. These findings include: (1) The district government in the Buton Islands has not stipulated the Rural Area Development Plan (RPKP) in the regent's regulation or does not have documents equivalent to the RPKP and its details; (2) Program planning and implementation of village superior commodity development activities have not involved the community and Micro, Small, and Medium Enterprises (MSMEs); and (3) Program planning that supports the guidance and supervision of village fund management and Village Fund Allocation (ADD) in ten sub-districts has not been planned every year. The three findings show the weak internal control in village financial management in the Buton Regency Government. The findings were also emphasized in several cases of fraud in the stages of implementing village financial management in Buton Regency involving village officials, namely village heads and village secretaries from 2019-2024 with state losses of approximately 1.2 billion rupiah and criminal penalties of 6 years.

Fraud prevention in village financial management is a must to ensure that these funds are really used for the benefit of the village community effectively and efficiently (Hendrawati *et al*., 2022). The effectiveness of effective internal control is one of the main pillars in preventing fraud (Nusantara *et al*., 2020; Sukhemi *et al*., 2022; Utama & Wulandari, 2020). The effectiveness of good internal control can help secure village assets, improve the reliability of financial reporting, and ensure compliance with applicable laws and regulations. Effective internal control is a set of procedures, policies, and practices designed to protect an organization (Ningsih & Suwandi, 2024). The effectiveness of internal control is not only about eliminating errors but also monitoring tools.

Fraud prevention requires a comprehensive approach, by placing attribution theory as a conceptual foundation supported by stewardship theory to explain how village officials and communities understand the root causes of fraud and respond to the phenomenon. These efforts include the implementation of an effective internal control effectiveness system, the implementation of training for officials, and the strengthening of an organizational culture oriented towards integrity and transparency. Transparency and accountability are the two main pillars in fraud prevention efforts, especially in public financial management. Transparency in financial statements increases public confidence in the management of public funds (Afriyie *et al*., 2023). Transparency in village finance means that all information related to the use of village funds must be available and accessible to the community. This condition creates an environment that presents active participation from the public in the supervision and management of funds, thereby reducing the chance of fraud.

Various studies have been conducted related to fraud prevention in village financial management. Previous research has identified various factors that affect fraud prevention, such as the competence of village officials (Damayanti & Agustia, 2024; Diansari, *et al*., 2023; Mufidah & Herawaty, 2023; Ningsih & Suwandi, 2024; Wahyudi, *et al*., 2022; Yuliastina et al., 2020), transparency (Anjani et al., 2020; Usman & Sundari, 2024), accountability (Diansari *et al.,* 2023), and individual morality (Wahyudi *et al*., 2022). These studies generally focus on the direct influence of these factors on fraud prevention. The novelty of this study is to specifically test the mediating role of the effectiveness of internal control on factors that affect fraud prevention. Previous research that examined the mediating role of the effectiveness of internal control on factors affecting fraud prevention is still very limited. Therefore, this study aims to fill this gap by examining the role of mediation of the effectiveness of internal control on factors that affect fraud prevention in village financial management. Some previous studies used survey data with respondents who were limited to village officials. This study will use more comprehensive respondents, namely village government apparatus, village consultative bodies (BPD) or village community representatives to provide a more comprehensive picture of fraud prevention in village financial management. This research has the potential to provide new insights on how to improve fraud prevention in village financial management through strengthening the effectiveness of internal control. Based on the background and identification of the research gap, the research questions are as follows:

1) Does the competence of village officials affect the effectiveness of internal control in village financial management?
2) Does the competence of village officials affect fraud prevention in village financial management?
3) Does transparency affect the effectiveness of internal control in village financial management?
4) Does transparency affect fraud prevention in village financial management?
5) Does accountability affect the effectiveness of internal control in village financial management?
6) Does accountability affect fraud prevention in village financial management?Does individual morality affect the effectiveness of internal control in village financial management?
7) Does individual morality affect fraud prevention in village financial management?
8) Does the effectiveness of internal control affect fraud prevention in village financial management?
9) Does the effectiveness of internal control mediate the influence of the competence of village officials on fraud prevention in village financial management?
10) Does the effectiveness of internal control mediate the influence of transparency on fraud prevention in village financial management?
11) Does the effectiveness of internal control mediate the influence of accountability on fraud prevention in village financial management?
12) Does the effectiveness of internal control mediate the influence of individual morality on fraud prevention in village financial management?

Method

This research is based on a positivist paradigm with an explanatory quantitative approach that adopts logical, hypothetical, and verifiable systematics. The positivist paradigm emphasizes the idea that knowledge can be obtained through measurable empirical observation and that the world can be understood through fixed laws of nature (Godwin *et al.*, 2021). This type of research is based on its method as a survey research, which is a study that takes samples directly from a representative population (Sekaran, 2011).

Population is a collection of all objects to be measured in the study (Cooper and Schindler, 2003). The population of this study is all village government apparatus and Village/community Consultative Body involved in village financial management in 83 villages located in Buton Regency, Southeast Sulawesi with a total of 1,419 people. The sampling technique used proportionate stratified random sampling so that a sample of 415 people was obtained with sampling units being the village head, village secretary, finance head and the Village Representative Body.

The research data collection method used a questionnaire with five alternative Likert scale type answers. The data were analyzed through three stages of the model in testing the effects of mediation according to Baron & Kenny (1986) in Sholihin and Ratmono (2013; 248-249). Inferential analysis in this study uses Structural Equation Model-

Partial Least Square (SEM-PLS) using WarpPLS 5.0 software which consists of two sub-models, namely the measurement model (Measurement Model) or often called the Outer Model and the structural model (Structural Model) or often called the Inner Model (Ghozali & Latan, 2015).

This study used six variables consisting of four independent variables, one mediation variable, and one dependent variable. These variables include: (1) Independent variables, namely: (a) Village Apparatus Competence (KAD) is measured through four indicators presented by Spencer & Spencer (1993); (b) Transparency (TRA) is measured through six indicators according to Permendagri Number 20 of 2018; (c) Accountability (AKU) is measured through six indicators presented by Romzek & Dubnick (1987); and (d) Individual Morality (MOI) is measured through six indicators described by Kohlberg (1958); (2) The mediation variable, namely Internal Control Effectiveness (EPI) using five indicators of internal control effectiveness proposed by Moeller (2013); and (3) Dependent Variable, namely Fraud Prevention (PFA) using eight fraud prevention indicators proposed by Cressey (1953). All variables in this study based on the way they were tested were multidimensional constructs (Second Order Construct / SOC) which are reflective.

Result and Discussion

Data collection in this study was carried out by distributing questionnaires to 415 respondents. The questionnaire that came back and could be processed was 368 samples or 88.67%. This response rate shows the maximum effort to distribute the questionnaire to the respondents.

Measurement Model (Outer Model)

Convergent validity in the measurement model with reflective indicators is assessed based on the correlation between the item score/component score and the construct score calculated through SEM-PLS. The individual reflective size is said to be high if it correlates more than 0.7 with the construct to be measured. However, for the early stages of research of the development of the measurement scale, loading values of 0.5 to 0.6 are considered sufficient (Ghozali & Latan, 2015). The output indicator loading and cross-loadings in each First Order Construct/FOC had a loading factor greater than 0.6 for exploratory research and significant at a p value of <0.05 so as to meet convergent validity. Convergent validity testing of each FOC in each SOC showed that there were nineteen indicators that had a loading factor greater than 0.6 for exploratory research and significant at a p value of <0.05, and there were six indicators that had a loading factor of less than 0.6 so that all four indicators had to be removed and retested. After re-estimation, there were nineteen indicators/FOCs with a loading factor greater than 0.6 for exploratory research and significant at a p value of <0.05 so that the FOC and SOC met the convergent validity clearly described in table 1.

Table 1. Output Indicator Loading and Cross-Loadings of Each FOC on Each SOC after Indicator Re-estimation

	MOI	**EPI**	**PFA**	**KAD**	**TRA**	**AKU**	***Type (as defined)***	**SE**	***P Value***	**Note**
Iv_IP	**(0.698)**	0.000	0.000	0.000	0.000	0.000	*Reflective*	0.063	<0.001	Valid

Iv_TJ	**(0.785)**	0.000	0.000	0.000	0.000	0.000	*Reflective*	0.068	<0.001	Valid
Iv_KB	**(0.804)**	0.000	0.000	0.000	0.000	0.000	*Reflective*	0.070	<0.001	Valid
Iv_LP	0.000	**(0.723)**	0.000	0.000	0.000	0.000	*Reflective*	0.073	<0.001	Valid
Iv_AP	0.000	**(0.784)**	0.000	0.000	0.000	0.000	*Reflective*	0.057	<0.001	Valid
Iv_PM	0.000	**(0.729)**	0.000	0.000	0.000	0.000	*Reflective*	0.071	<0.001	Valid
Iv_TK	0.000	0.000	**(0.623)**	0.000	0.000	0.000	*Reflective*	0.089	<0.001	Valid
Iv_PT	0.000	0.000	**(0.779)**	0.000	0.000	0.000	*Reflective*	0.063	<0.001	Valid
Iv_PP	0.000	0.000	**(0.735)**	0.000	0.000	0.000	*Reflective*	0.071	<0.001	Valid
Iv_PG	0.000	0.000	0.000	**(0.807)**	0.000	0.000	*Reflective*	0.050	<0.001	Valid
Iv_KT	0.000	0.000	0.000	**(0.788)**	0.000	0.000	*Reflective*	0.056	<0.001	Valid
Iv_SK	0.000	0.000	0.000	**(0.747)**	0.000	0.000	*Reflective*	0.060	<0.001	Valid
Iv_KI	0.000	0.000	0.000	0.000	**(0.736)**	0.000	*Reflective*	0.049	<0.001	Valid
Iv_AD	0.000	0.000	0.000	0.000	**(0.758)**	0.000	*Reflective*	0.068	<0.001	Valid
Iv_KK	0.000	0.000	0.000	0.000	**(0.750)**	0.000	*Reflective*	0.062	<0.001	Valid
Iv_KN	0.000	0.000	0.000	0.000	**(0.647)**	0.000	*Reflective*	0.083	<0.001	Valid
Iv_KW	0.000	0.000	0.000	0.000	0.000	**(0.736)**	*Reflective*	0.053	<0.001	Valid
Iv_OH	0.000	0.000	0.000	0.000	0.000	**(0.804)**	*Reflective*	0.059	<0.001	Valid
Iv_PV	0.000	0.000	0.000	0.000	0.000	**(0.738)**	*Reflective*	0.077	<0.001	Valid

Source: researcher data, processed in 2026.

Discriminant validity in the measurement model with reflective indicators is assessed based on cross loading measurement with constructs. If the correlation of the construct with the measurement item is greater than that of the other construct size, then this condition suggests that the latent construct predicts the size of the block better than the size of the other block (Ghozali & Latan, 2015). All indicators in this study showed a higher correlation compared to the correlation of indicators in other dimensional constructs. Likewise, the correlation of other dimensional constructs is higher than the correlation of indicators in other dimensional constructs. This condition indicates that the dimensional construct predicts the indicators on the block better than the indicators on the other blocks.

Measuring the reliability of a reflective construct can be done in two ways, namely with Composite Reliability and Cronbach's Alpha or often called Dillon-Goldstein's. Cronbach's Alpha measures the lower limit of the reliability value of a construct, while composite reliability measures the true value of the reliability of a construct (Abdillah and Jogiyanto, 2015). However, composite reliability is considered better in estimating the internal consistency of a construct (Salisbury, Chin, Gopal and Newsted, 2002) in Abdillah and Jogiyanto (2015). The composite reliability and cronbach's alpha for each indicator on the FOC and SOC are presented in table 2 below.

Table 2. Output Latent Variable Coefficients FOC and SOC

	Composite Reliability	*Cronbach's Alpha*	**AVE**	**Full Collin. VIF**
LP	0.743	0.308	0.591	1.181
AP	0.777	0.425	0.635	1.256
PM	0.728	0.254	0.573	1.189
TK	0.698	0.134	0.536	1.103
PT	0.712	0.189	0.552	1.193
PP	0.756	0.355	0.608	1.175
PG	0.770	0.402	0.626	1.389
KT	0.803	0.510	0.671	1.346
SK	0.808	0.524	0.677	1.261
KI	0.720	0.224	0.563	1.331
AD	0.778	0.428	0.636	1.409
KK	0.733	0.273	0.579	1.361
KN	0.775	0.420	0.633	1.367
KW	0.869	0.699	0.769	1.220
OH	0.772	0.409	0.629	1.327
PV	0.765	0.386	0.620	1.225
IP	0.758	0.361	0.610	1.204
TJ	0.766	0.388	0.620	1.324
KB	0.791	0.473	0.655	1.391
MOI	0.807	0.640	0.583	Inf
EPI	0.790	0.601	0.556	Inf
PFA	0.757	0.519	0.512	Inf
KAD	0.824	0.680	0.610	Inf
TRA	0.815	0.696	0.524	Inf
AKU	0.804	0.633	0.578	Inf

Source: researcher data, processed in 2026.

Table 2 shows that all constructs, both FOC and SOC used in this study, have a composite reliability value greater than 0.6, although there are several constructs both FOC and SOC that have a Cronbach's alpha value of less than 0.6. This condition shows that all constructs in this study have good reliability values.

Structural Model (Inner Model)

The evaluation of the structural model using PLS was carried out by looking at the value of R-squares, effect size f2, Q2 predictive relevance, and the significance of the coefficient of the parameters of the structural path obtained through the bootstrapping procedure.

Table 3. R-Squares Value on FOC

FOC	***R-Squares***	**Categories**
LP	0.525	Moderate
AP	0.617	Moderate
PM	0.533	Moderate
TK	0.391	Moderate
PT	0.611	Moderate
PP	0.541	Moderate
PG	0.652	Moderate
KT	0.622	Moderate
SK	0.560	Moderate
KI	0.541	Moderate
AD	0.578	Moderate
KK	0.564	Moderate
KN	0.423	Moderate
KW	0.551	Moderate
OH	0.654	Moderate
PV	0.548	Moderate
IP	0.500	Moderate
TJ	0.618	Moderate
KB	0.652	Moderate

Source: researcher data, processed in 2026.

Table 3 shows the value of R-Squares in the overall FOC construct in the moderate category. Furthermore, the R-Squares values for the SOC construct of PLS processing are shown in the following table 4.

Table 4. R-Squares Values on SOC

SOC	***R-Squares***	**Categories**
EPI	0.126	Weak
PFA	0.282	Weak

Source: researcher data, processed in 2026.

Table 4 shows the value of R-Squares in the Fraud Prevention (PFA) construct of 0.282. This condition means that the constructs of Village Apparatus Competency (KAD), Transparency (TRA), Accountability (AKU), Individual Morality (MOI), and Effectiveness of Internal Control (EPI) on the Fraud Prevention (PFA) construct are 28.2%, while the remaining 71.8% are contributions from other constructs that were not studied.

The goodness of fit test of the structural model is then carried out by calculating the predictive relevance value (Q-Square test). The predictive-relevance value (Q-Square test) is used to measure how well the observation value is produced by the model and also the estimation of its parameters. The value of Q-Square can be seen in the following table 5.

Table 5. Q-Square Structural Model

	EPI	PFA
Q-Square	0,130	0,283

Source: researcher data, processed in 2026.

Table 5 shows the resulting Q-Square values of 0.130 and 0.283. This value shows that the results of the model estimate show good predictive validity, namely 0.130 and 0.283 because they are above zero. The change in the Q-Square value has a relative impact on the structural model which can be measured through the q2 predictive relevance value (0.02 = small, 0.15 = medium, and 0.35 = large). Thus, the relative impact of the predictor construct on the structural model is categorized as medium because it has a value above 0.15.

Testing the inner model (structural model) essentially tests the hypothesis in the research. Hypothesis testing was carried out by testing the path coefficient on each path of influence in the structural model. The relationship between the construct and the test results of the path coefficient is presented in figure 1 and table 6 below.

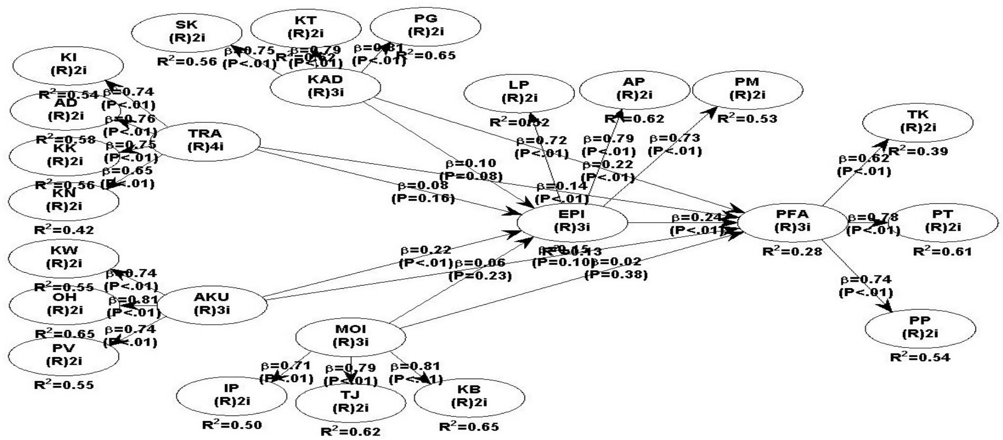

Figure 1. Structural Model flowchart

Table 6. Path Coefficient Calculation and Test Results

No.	Hypothesis	Path Coefficients	*P-Value (one-tailed)*
1	Competence of Village Apparatus →Effectiveness of Internal Control	0,103	0,041
2	Competence of Village Apparatus →Fraud Prevention	0,212	0,0005
3	Transparency →Effectiveness of Internal Control	0,081	0,0765
4	Transparency →Fraud Prevention	0,129	0,005
5	Accountability →Effectiveness of Internal Control	0,224	0,0005
6	Fraud Prevention → Accountability	0,137	0,047
7	Individual Morality →the Effectiveness of Internal Control	0,060	0,123
8	Individual Morality →Fraud Prevention	0,026	0,165
9	Effectiveness of Internal Control →Fraud Prevention	0,217	0,0005

Source: researcher data, processed in 2026.

Figure 1 and table 6 show that the path coefficient on:

1) The competence of village apparatus on the effectiveness of internal control was 0.103 with a P-value of 0.041 showing a significant influence.
2) The competence of village officials in fraud prevention is 0.212 with a P-value of 0.0005 shows a significant influence.
3) Transparency on the effectiveness of internal control of 0.081 with a P-value of 0.0765 showed an influence but was not significant.
4) Transparency on fraud prevention of 0.129 with a P-value of 0.005 shows a significant influence.
5) Accountability for the effectiveness of internal control of 0.224 with a P-value of 0.0005 shows a significant influence.
6) Accountability for fraud prevention of 0.137 with a P-value of 0.047 shows a significant influence.
7) Individual morality on the effectiveness of internal control of 0.060 with a p-value of 0.123 indicates an influence but is not significant.
8) Individual morality towards fraud prevention was 0.026 with a p-value of 0.156 indicating an influence but not significant.
9) The effectiveness of internal control on fraud prevention of 0.217 with a P-value of 0.0005 shows a significant influence.

Direct and Indirect Testing

This study uses the Partial Least Square (PLS) approach in analyzing direct and indirect effect. The direct effect, indirect effect, and total effect between the competency constructs of village officials, transparency, accountability, and individual morality on the effectiveness of internal control, community participation, and fraud prevention are shown in the following table 7.

Table 7. Direct, Indirect and Total Effect

No	Interconstruct Relationships	Direct Effect	Indirect Effect	Total Effect			
				PL1 + PTL 1	PL2 + PTL 2	PL3 + PTL 3	PL4 + PTL4
1	KAD →EPI	0,103					
2	KAD →PFA	0,212		0,212			
3	TRA →EPI	0,081					
4	TRA →PFA	0,129			0,129		
5	AKU →EPI	0,224					
6	AKU →PFA	0,137				0,137	
7	MOI →EPI	0,060					
8	MOI →PFA	0,026					0,026
9	EPI →PFA	0,217					
10	KAD →EPI →PFA		0,022	0,022			
11	TRA →EPI →PFA		0,018		0,018		
12	AKU →EPI →PFA		0,049			0,049	
13	MOI →EPI →PFA		0,013				0,013
TOTAL				**0,234**	**0,147**	**0,186**	**0,039**

Source: researcher data, processed in 2026.

The first pathway is the influence of the competence of village officials on fraud prevention has a direct effect of 0.212 and an indirect influence through the effectiveness of internal control of 0.022. Thus, the first path causes a partial mediation effect. This condition is due to the direct influence of the competence of village officials on fraud prevention, the influence of village officials' competence on significant mediation constructs, and the influence of mediation constructs on the effectiveness of internal control on fraud prevention is also significant.

The second track, namely the effect of transparency on fraud prevention, has a direct effect of 0.129 and an indirect effect through the effectiveness of internal control of 0.018. Thus, the second path creates the absence of a mediation effect. This condition is due to the direct influence of transparency on fraud prevention is significant, the effect of transparency on the mediation construct is insignificant, and the effect of the mediation construct on the effectiveness of internal control on fraud prevention is also significant.

The third path, namely the influence of accountability on fraud prevention, has a direct effect of 0.137 and an indirect effect through the effectiveness of internal control of 0.049. Thus, the third path causes a partial mediation effect. This condition is due to the direct influence of accountability on fraud prevention is significant, the effect of accountability on the mediation construct is significant, and the effect of the mediation construct on the effectiveness of internal control on fraud prevention is also significant.

The fourth path, namely the influence of individual morality on fraud prevention, has a direct effect of 0.026 and an indirect influence through the effectiveness of internal control of 0.013. Thus, the fourth path creates the absence of a mediation effect. This condition is due to the direct influence of individual morality on fraud prevention is not significant, the influence of individual morality on the mediation construct is not significant, and the influence of the mediation construct of the effectiveness of internal control on fraud prevention is significant.

Therefore, the pathways that meet the requirements for the mediation effect test according to the criteria from Baron and Kenney (1986) are: (1) the competence of village officials →the effectiveness of internal control →fraud prevention; and (2) accountability → effectiveness of internal control → fraud prevention. These results show that the effectiveness of internal control is able to mediate the competence of village officials and accountability for fraud prevention. This condition shows that if the competency construct of village apparatus is improved, the construct of the effectiveness of internal control will increase, which also has an impact on increasing fraud prevention. This condition also applies the same if the accountability construct is improved. In addition, the total effect on the first line is higher than the total effect on the other path. So, to improve fraud prevention, it needs to be supported by the competence of village officials and accountability.

Hypothesis Testing

Hypothesis testing in this study was carried out by evaluating the value of the path coefficient and p-value. The path coefficient indicates the direction of the relationship between the two constructs, while the p-value indicates the degree of significance of the relationship between the two constructs. The hypothesis of this study uses the direction of the relationship in thirteen hypotheses. The hypothesis is accepted if the path coefficient corresponds to the hypothesized relationship direction and the p-value is less than 0.05.

The results of the hypothesis test based on the structural model of hypothesis testing will be described in the following table 8.

Table 8. Hypothesis Testing Results

No	Interconstruct Relationships	Path Coefficients	*P-Value (one-tailed)*	Decision
1	KAD →EPI	0,103	0,041	Accepted
2	KAD →PFA	0,212	0,0005	Accepted
3	TRA →EPI	0,081	0,0765	Rejected
4	TRA →PFA	0,129	0,005	Accepted
5	AKU →EPI	0,224	0,0005	Accepted
6	AKU →PFA	0,137	0,047	Accepted
7	MOI →EPI	0,060	0,123	Rejected
8	MOI →PFA	0,026	0,165	Rejected
9	EPI →PFA	0,217	0,0005	Accepted
10	KAD →EPI →PFA	0,022	0,019	Accepted
11	TRA →EPI →PFA	0,018	0,063	Rejected
12	AKU →EPI →PFA	0,049	0,001	Accepted
13	MOI →EPI →PFA	0,013	0,09	Rejected

Source: researcher data, processed in 2026.

The results of the hypothesis test showed that out of the nine direct influence hypotheses, six hypotheses were accepted and three hypotheses were rejected, namely H3, H7 and H8. Furthermore, of the four indirect influence hypotheses, two hypotheses were accepted and two hypotheses were rejected, namely H11 and H13.

The Influence of Village Apparatus Competence on the Effectiveness of Internal Control in Village Financial Management

The results of the study show that the competence of village apparatus has a positive and significant effect on the effectiveness of internal control. This condition shows that the competence of village officials affects the effectiveness of internal control. The results of this study are in line with the research of Indriasih & Sulistyowati (2021) showing that the competence of village officials has a direct and significant influence on the effectiveness of the village internal control system. Similarly, the results of research conducted by Wahyudi *et al*., (2022) emphasized that the competence of the apparatus tightens internal financial control and the research of Utama & Wulandari (2020) found that competent village officials will be able to understand the principles of the effectiveness of internal control, identify relevant risks, and design appropriate control procedures to mitigate these risks. The results of this study are also supported by attribution theory emphasizing that individuals attribute the causes of their behavior based on internal factors (such as ability, effort, and motivation) and external factors (such as luck or environmental conditions).

The results of the hypothesis test are fulfilled can be interpreted that the village apparatus carries out their profession in accordance with their expertise so that they can be trusted and reliable in carrying out the work. Expertise that reflects the competence of the village apparatus itself is reflected in the dimensions of knowledge possessed by village officials, supporting skills, and attitudes that underlie the behavior of village officials. However, this study did not find the contribution of the experience dimension to improving the competence of village officials. This condition is because a village official wants the importance of having knowledge and skills and being able to be honest rather than other experiences.

The Influence of Village Apparatus Competence on Fraud Prevention in Village Financial Management

The competence of village officials has a positive and significant effect on fraud prevention. This condition shows that the competence of village officials affects fraud prevention. The results of this study are supported by the research of Wahyudi *et al*., (2021) found that the competence of village officials simultaneously has a significant effect on preventing fraud in the management of village funds, while partially the competence of the apparatus, morality, effectiveness of internal control, and internal reporting system are proven to positively reduce the chances of fraud. Similarly, the results of Abdullahi & Mansor's (2018) research show that weak apparatus competence increases the chance of fraud and research by Nadirsyah *et al*., (2024) highlights that auditor competence is a determining factor for the success of the audit function in preventing fraud. The results of this study are in line with the attribution theory which explains that village officials who have high competence tend to associate the potential for fraud with internal organizational factors, such as the weak effectiveness of internal control. This understanding encourages village officials to take proactive preventive measures in managing village finances.

The results of hypothesis testing that showed significant influence indicated that the competence of village officials played an important role in supporting fraud prevention. Village officials who have a good understanding of laws and regulations, the ability to operate a financial management system that supports transparency, and a professional attitude in applying accounting principles, will be better able to identify potential fraud risks early. In addition, these competencies also support the implementation of more effective control and prevention measures in village financial management.

The Influence of Transparency on the Effectiveness of Internal Control in Village Financial Management

The results of the study showed that transparency had no effect on the effectiveness of internal control. This condition shows that transparency does not affect the effectiveness of internal controls. The results of this study are not in line with the research of Hoai *et al*., (2022), Maqdliyan & Setiawan (2023) and Koeswayo *et al*., (2024) found that transparency plays an important role in increasing the effectiveness of internal control effectiveness and improving the quality of financial statements, both in public and private organizations. The results of this study view that transparency has a positive but insignificant effect on the effectiveness of internal control. This condition means that transparency is not the main factor in determining the effectiveness of internal control. Transparency is external by focusing on the disclosure of information to the public, while the effectiveness of internal control is internal by focusing on the internal procedures, systems, and mechanisms of the organization. This statement is in line with the results of research by Moreno-Enguix & Gras-Gil (2019) showing that transparency is not directly correlated with internal control in local government. The results of this study contradict the theory of stewardship which views a steward motivated by an intrinsic need to achieve organizational goals rather than personal interests. Organizational goals such as the sustainability of village financial management can be reflected in the transparency and effectiveness of internal control that is able to synergize in improving village financial governance.

The results of hypothesis testing that did not show a significant influence indicated that transparency was not yet the main factor that directly increased the effectiveness of internal controls, but rather played a role in strengthening administrative procedures and systems. This condition shows that the practice of transparency in village financial management is still limited to the delivery of information through publication media, such as banners, information boards, and billboards. The transparency does not fully reflect the openness of the information management process, the ease of access to data, the clarity and comprehensibility of information, as well as the provision of adequate supporting information to encourage public participation in the supervisory function. These limitations cause that the transparency applied has not been able to make an optimal contribution to increasing the effectiveness of internal control.

The Influence of Transparency on Fraud Prevention in Village Financial Management

The results of the study show that transparency has a positive and significant effect on fraud prevention. This condition shows that transparency affects fraud prevention. The results of this study are supported by the research of Mungiu-Pippidi (2023) highlighting that transparency has a real impact on reducing fraud, but the effect differs between regions due to variations in the implementation of governance. Similarly, research by Usman & Sundari (2024) shows that transparency through the publication of village budget reports, disclosure of financial documents, and public access to Siskeudes has a significant impact on reducing the chances of fraud.

The results of this study are also in line with the theory of stewardship which views that government apparatus as stewards have the responsibility to manage public resources in an honest, open, and community-oriented manner. This theory views transparency as one of the important mechanisms to strengthen the relationship of trust between the village government and the community. Transparency allows the community to gain access to information related to village financial management, so as to reduce information asymmetry between the village government as a budget manager and the community as an interested party. When information is conveyed openly, the community has the opportunity to understand the village financial management process more objectively and perform the supervisory function collectively.

Transparency plays an important role in improving fraud prevention in village financial management. The higher the level of information disclosure implemented by the village government, the less chance of fraud in financial management. Transparency realized through the submission of budget information, program implementation, realization of activities, and open financial accountability can increase social control from the community and other related parties. In addition, information disclosure also encourages village officials to work more carefully and in accordance with applicable procedures because every financial management process can be known and supervised by the public.

The Influence of Accountability on the Effectiveness of Internal Control in Village Financial Management

The results of the study show that accountability has a positive and significant effect on the effectiveness of internal control. This condition shows that accountability affects the effectiveness of internal controls. The results of this study are in line with the research of Qaiser, A & Hassan, S (2025) showing that accountability has a positive effect on the effectiveness of internal control. Similarly, Ataribanam's (2024) research in the form of quantitative studies and interviews in Ghanaian public institutions found that a robust system of internal control effectiveness significantly facilitates government accountability practices. The results of this study are also supported by stewardship theory which views accountability as a reporting and accountability mechanism that encourages stewards to strengthen the effectiveness of internal controls, such as audit procedures, separation of duties, and risk monitoring, to minimize deviations and ensure efficiency.

The results of hypothesis testing that show significant influence indicate that accountability has an important role in increasing the effectiveness of internal control in village financial management. Accountability is not only interpreted as an administrative obligation in submitting accountability reports, but also as a governance mechanism that affirms the clarity of the functions, authorities, and responsibilities of each party involved in the management of programs and budgets. In practice, accountability includes clarity about who is responsible for an activity, to whom accountability is given, what standards or provisions are used as the basis for implementation, and the consequences that are applied in the event of irregularities. This clarity creates a more structured work system and encourages village officials to carry out their duties in accordance with applicable procedures and regulations.

The stronger the accountability practices applied, the more effective the internal control will be in the implementation of supervision and control functions. Good accountability can strengthen the monitoring, evaluation, and supervision process of planning, implementing activities and using the village budget. This condition allows organizations to detect errors faster, reduce the potential for fraud, and ensure compliance with applicable regulations and policies. Therefore, accountability not only functions as a formal accountability tool, but also as an important instrument in supporting the effectiveness of internal control and the optimal achievement of organizational goals.

The Influence of Accountability on Fraud Prevention in Village Financial Management

The results of the study show that accountability has a positive and significant effect on fraud prevention. This condition shows that accountability affects fraud prevention. The results of this study are in line with the research of Aulia *et al*., (2023) found that accountability has an effect on fraud prevention in the management of village fund allocation. However, the results of this study are not in line with the research of Putra & Putra (2025) which found that accountability does not have a significant effect on the tendency of fraud at the village government level. The results of this study are also supported by the theory of stewardship which views village officials as stewards who have moral and professional responsibilities to manage public resources for the benefit of the community. Village officials are expected to carry out their duties with integrity, honesty, and orientation to public services, so that every financial management action is carried out in accordance with the principles of good governance.

The better the accountability practices applied in the organization, the stronger the organization's ability to prevent fraud. Accountability creates clarity regarding the duties, authorities, and responsibilities of each party involved in village financial management, so that every process of using the budget can be monitored and accounted for clearly. In addition, the implementation of good accountability encourages punctuality in the submission of financial statements, openness in the decision-making process, and orientation to results in accordance with organizational goals. This condition can narrow the opportunity for data manipulation, budget abuse, and other opportunistic actions that have the potential to cause fraud.

The Influence of Individual Morality on the Effectiveness of Internal Control in Village Financial Management

The results of the study showed that individual morality had no effect on the effectiveness of internal control. This condition shows that individual morality does not affect the effectiveness of internal control. The results of this study are in line with the research of Biduri *et al*., (2023) found that individual morality does not affect the effectiveness of internal control. However, the results of this study are not in line with the research of Wahyudi *et al*., (2022) showing that the moral sensitivity of village officials can strengthen the effectiveness of internal control. The results of this study are contrary to the theory of attribution which holds that individual behavior, including the level of morality possessed can affect the way individuals attribute the cause of weakness in the organization. Individuals with a high level of morality tend to associate the occurrence of internal control failures with internal organizational factors, so they are encouraged to make improvements and increase the effectiveness of internal control.

The rejected hypothesis can be interpreted that an increase in individual morality is not automatically followed by an increase in the effectiveness of internal control. Individual morality does contribute to shaping the behavior of officials who are more honest, responsible, and with integrity in carrying out their duties. Such moral values can encourage individuals to work ethically and avoid actions that deviate from the rules. However, the effectiveness of internal control is not only determined by individual factors, but also influenced by the quality of systems, procedures, organizational policies, and supervisory mechanisms implemented. Therefore, individual morality alone is not enough to ensure that the entire internal control process can run effectively if it is not supported by adequate governance.

In addition, the results of this study show that effective internal control requires a systemic and structured approach. Individual morality can help create an organizational culture that upholds integrity, openness, and moral responsibility, but the role is more of a supporting factor than a major factor in increasing the effectiveness of internal control. Organizations still need clear procedures, proper division of tasks, a consistent monitoring system, and a strong evaluation and supervision mechanism to ensure that internal control can run optimally. The success of internal control does not only depend on the moral quality of village officials, but also on the ability of the organization to build a governance system that is able to control risks and prevent fraud as a whole.

The Influence of Individual Morality on Fraud Prevention in Village Financial Management

The results of the study show that individual morality has no effect on fraud prevention. This condition shows that individual morality does not affect fraud prevention. The results of this study are not in line with the research of Hayati & Amalia (2021) showing that the competence of village officials and religiosity have a significant impact on reducing fraud. However, the results of this study are in line with the research of Nur *et al*., (2023) showing that individual morality does not have a significant effect on fraud prevention in the management of village fund allocation. The results of this study are contrary to attribution theory, which sees that individuals tend to make attribution to their own actions and the actions of others, then influence moral decision-making and ethical behavior. Individuals who have high morality should be better able to control deviant behavior because they have better integrity, sense of responsibility, honesty, and openness. Such moral values can theoretically reduce an individual's tendency to commit unethical acts, including fraud.

Individual morality does have a role in shaping ethical behavior, but in organizational practice morality has not yet become the main determinant in fraud prevention. Individual morality is internal and subjective, so it is not always consistently reflected in real behavior in the work environment. Each individual has different levels of understanding, value standards, and moral interpretations, so the application of moral values in decision-making can also vary. In addition, individual behavior in an organization is not only influenced by internal moral factors, but also by the organization's environmental conditions, work culture, social pressures, and the prevailing supervision system. This condition causes individuals who morally understand the importance of ethical behavior to not necessarily be able to apply it consistently in certain situations.

The Influence of Effectiveness of Internal Control on Fraud Prevention in Village Financial Management

The results of the study show that the effectiveness of internal control has a positive and significant effect on fraud prevention. This condition shows that the effectiveness of internal control affects fraud prevention. The results of this study are in line with the research of Nur *et al*., (2023) found that the control environment has a significant positive influence on fraud prevention in the management of village fund allocation in villages in West Bajo District, Luwu Regency, South Sulawesi. Similarly, Kusumo *et al*., (2022) research found that information & communication and monitoring elements have an impact on fraud prevention, while the control environment element has no impact on fraud prevention.

The results of this study are also supported by the theory of stewardship which views government officials not solely as agents oriented to personal interests, but as stewards who have a commitment to maintain and manage organizational resources for the public interest. Village officials are expected to have a high attitude of responsibility, loyalty, integrity, and orientation to public services in carrying out their duties. Effective internal control is one of the important mechanisms that supports village officials in carrying out financial management functions in an orderly, transparent, and accountable manner, so that the potential for fraud can be minimized.

The more effective the internal control applied in the organization, the higher the organization's ability to prevent fraud. Effective internal control includes clear work procedures, proper separation of duties, an adequate authorization system, consistent supervision, and an ongoing evaluation and monitoring mechanism. The existence of this system allows organizations to detect errors and indications of irregularities more quickly and accurately. In addition, the effectiveness of internal control can also narrow the chances of manipulation, abuse of authority, and other opportunistic actions because every organizational activity is supervised through a structured control mechanism.

The results of this study also emphasized that weakness in internal control is one of the main factors that cause fraud in organizations. When internal control does not run effectively, loopholes will appear that allow individuals to commit fraudulent acts without being detected. On the contrary, strong internal controls can create a more disciplined, orderly, and rule-abiding organizational environment. The effectiveness of internal control is a strategic step in supporting good governance because it is able to increase supervision, strengthen accountability, and maintain the security of assets and the use of the village budget. Therefore, strengthening the effectiveness of internal control needs to be a priority in efforts to prevent fraud and improve the quality of village financial management.

The Effectiveness of Internal Control Mediates the Influence of Village Apparatus Competence on Fraud Prevention in Village Financial Management

The results of the study show that the effectiveness of internal control mediates the influence of the competence of village officials on fraud prevention. The results of this study are in line with the research of Wahyudi *et al.*, (2022) showing the direct influence of the competence of village officials on fraud prevention, and the research of Biduri *et al.*, (2023) shows that the competence of village officials does not have a significant effect on fraud prevention. The results of this study are also supported by stewardship theory, emphasizing that the success of the organization is not only determined by strict supervision mechanisms, but also by the ability of the organization to build structures and systems that are able to empower the apparatus as stewards. Village officials are seen as parties who have the responsibility to protect the interests of the organization and the community through the implementation of professional, integrity, and public service-oriented duties. The competence of village officials is an important factor in supporting the creation of an effective internal control system as part of good organizational governance.

The influence of mediation in the results of hypothesis testing indicates that the competence of village officials not only has a direct effect on fraud prevention, but also works through the effectiveness of internal control as an intermediary mechanism. Village officials who have good competence, both in terms of knowledge, skills, and professional attitudes, tend to be better able to understand financial management procedures, carry out administrative functions appropriately, and comply with applicable rules and control mechanisms. These competencies enable village officials to build and carry out internal controls more effectively, such as the implementation of separation of duties, authorization procedures, transaction documentation, activity monitoring, and evaluation of budget implementation. Effective internal control can ultimately reduce the chance of fraud because every financial activity is within a clear supervision and control mechanism.

Methodologically, this mediation shows a systematic influence between the competence of village officials, the effectiveness of internal control, and fraud prevention. The competence of village officials can be understood as an input factor that determines the quality of human resources in the organization, while the effectiveness of internal control plays a role as a process mechanism that directs how these competencies are applied in village financial governance practices. Furthermore, fraud prevention is an output that reflects the success of the organization in minimizing fraud risks and maintaining the integrity of village financial management. Therefore, the competence of village apparatus internalized into effective internal control practices will strengthen organizational supervision and narrow the gap for fraud. This condition emphasizes that fraud prevention efforts not only require competent apparatus, but also require an internal control system that is able to optimize these competencies in village financial management practices.

The Effectiveness of Internal Control Mediates the Influence of Transparency on Fraud Prevention in Village Financial Management

The results of the study show that the effectiveness of internal control does not mediate the effect of transparency on fraud prevention. The results of this study are not in line with the research of Purnamasari *et al*., (2024) who affirm that transparency does not stand alone but becomes more effective when combined with the effectiveness of internal control. However, the results of this study are in line with the research of Oliveira *et al*., (2022) found that information disclosure, public access to management process documents, clarity and comprehension, and completeness of reporting information have a direct effect on fraud prevention, but do not significantly increase the effectiveness of internal controls that have an impact on fraud prevention.

The results of this study are contrary to attribution theory which states that fraudulent behavior can be prevented through a combination of internal factors and external factors that affect individual and organizational behavior. The effectiveness of internal control is seen as an internal factor that is able to direct the behavior of the apparatus through the organizational supervision and control system, while transparency and community participation are seen as external factors that encourage the formation of social supervision over the administration of government. However, the results of the study show that the effectiveness of internal controls has not been able to become an intermediary mechanism that significantly explains the relationship between transparency and fraud prevention.

The absence of mediation influences shows that transparency is more likely to function as an external oversight mechanism, while the effectiveness of internal control is more likely to function as an internal governance mechanism. Transparency is realized through information disclosure to the public, ease of access to data, publication of budget usage, and providing space for the community to be involved in the supervision and evaluation of village policies. This mechanism creates pressure from external parties that can influence the behavior of village officials to be more careful and responsible in managing village finances. On the other hand, the effectiveness of internal control emphasizes more on internal aspects of the organization, such as the implementation of work procedures, authorization systems, division of authority, administrative supervision, and internal monitoring carried out to ensure compliance with organizational rules and policies.

The difference in characteristics between the external oversight mechanism and internal governance causes the effectiveness of internal control not to be the main path that explains the effect of transparency on fraud prevention in the object of this study. While transparency and the effectiveness of internal controls both contribute to fraud prevention, they work through different pathways and mechanisms. Therefore, fraud prevention efforts in village financial management need to be supported not only through strengthening the effectiveness of internal control, but also through increasing transparency as a form of external supervision.

The Effectiveness of Internal Control Mediates the Influence of Accountability on Fraud Prevention in Village Financial Management

The results of the study show that the effectiveness of internal control mediates the influence of accountability on fraud prevention. The results of this study are in line with the research of Deza & Utomo (2024) found that if public fund managers (stewards) feel accountable and trusted, stewards tend to comply with the system and increase the effectiveness of internal control thereby reducing fraud. Similarly, research by Putra *et al*., (2022) and Boufounou *et al*., (2024) found that strengthening the effectiveness mechanisms of internal control can significantly reduce corrupt practices.

The results of this study are also supported by attribution theory explaining that individuals and society will form an assessment of the behavior of the apparatus based on the level of responsibility and compliance shown in the management of public finances. In addition, the results of this research are also supported by stewardship theory which views government officials as stewards who have moral and professional responsibilities to maintain and manage public resources for the common good. Accountability is not only understood as an administrative obligation in submitting accountability reports, but also as a form of commitment of village officials in carrying out their duties honestly, transparently, and responsibly. However, this commitment requires the support of effective internal control so that it can be implemented consistently in village financial management practices.

Accountability will be more effective in preventing fraud if it is supported by the effectiveness of internal control that runs optimally. Accountability that is not accompanied by adequate control has the potential to only become an administrative formality without being able to have a real impact on fraud supervision and prevention. On the other hand, when the principle of accountability is integrated into the organization's internal control mechanism, the village financial management process will run more orderly, measurably, and accountably. Effective internal controls allow every organizational activity to be monitored through clear control procedures and mechanisms, so that potential irregularities can be detected and prevented early.

The effectiveness of internal control in mediating the influence of accountability on fraud prevention is reflected through the implementation of various organizational control mechanisms, such as clear separation of duties, a layered authorization system, financial data reconciliation, activity monitoring, internal audit, and periodic evaluation of program implementation and budget utilization. This mechanism can narrow the chances of manipulation, abuse of authority, and other opportunistic actions because every financial management process is under systematic supervision. Therefore, the better the accountability that is implemented and the more effective the internal control that is running, the smaller the chance of fraud in village financial management.

The Effectiveness of Internal Control Mediates the Influence of Individual Morality on Fraud Prevention in Village Financial Management

The results of the study show that the effectiveness of internal control mediates the influence of individual morality on fraud prevention. The results of this study are not in line with the research of Nadirsyah *et al*., (2024) found that the effectiveness of internal control and fraud prevention act as partial mediators so that the existence/effectiveness of the IAF improves governance through strengthening the effectiveness of internal control and reducing fraud incidents. Similarly, the research of Wahyudi *et al*., (2022) found that individual morality affects fraud prevention.

The results of this study also contradict attribution theory which views that individual behavior is influenced by the way individuals give meaning or interpretation to the cause of an action, including the reason why a person chooses not to commit fraud. Individuals who have high morality should tend to develop behaviors that support compliance, integrity, and strengthening internal control in the organization. However, the results of the study show that individual morality has not been able to have a significant influence on the effectiveness of internal control as an intermediary mechanism in fraud prevention.

The absence of the influence of mediation can be interpreted that individual morality plays more of a role as a personal factor that directly affects the individual's tendency to avoid fraudulent behavior. Individual morality is concerned with ethical values, integrity, honesty, and personal awareness in distinguishing between right and wrong actions. Individuals who have high morality tend to avoid acts of fraud because there is an internal urge to act in accordance with ethical norms and principles. However, the effectiveness of internal control is an organizational mechanism that does not only depend on the moral quality of individuals, but is also influenced by structural factors, such as the design of work procedures, supervision systems, division of tasks, and organizational policies in implementing control consistently. Therefore, the high morality of individuals cannot necessarily directly increase the effectiveness of internal control in the organization.

Conclusion

This study examines the implementation of attribution theory proposed by Fritz Heider (1958) supported by stewardship theory initiated by Davis, Schoorman, and Donaldson (1997) on the influence of village apparatus competence, transparency, accountability, and individual morality on fraud prevention through the effectiveness of internal control. Empirical evidence in this study proves that the effectiveness of internal control mediates the influence of the competence of village officials on fraud prevention. In addition, empirical evidence in this study proves that the effectiveness of internal controls mediates the influence of accountability on fraud prevention. Another condition is shown through empirical evidence in this study proving that the effectiveness of internal control does not mediate the effect of transparency on fraud prevention, and the effectiveness of internal control does not mediate the influence of individual morality on fraud prevention.

The results of this study conclude that the competence of village officials, transparency, accountability, and effectiveness of internal control have a direct influence on fraud prevention, while individual morality has no direct or indirect influence on fraud prevention. In addition, the competence of village officials has a direct influence on the effectiveness of internal control. In contrast, transparency has no direct influence on the effectiveness of internal control. Accountability has a direct influence on the effectiveness of internal controls. Individual morality has no direct influence on the effectiveness of internal control.

The effectiveness of internal control is a mediating variable that has a partial mediating effect on the determinants of fraud prevention in village financial management. This condition emphasizes that fraud prevention at the village level is not only determined by the competence of village officials, transparency, and increased accountability, but requires the effectiveness of adequate internal organizational control to improve fraud prevention.

Research Implication

Based on the results of research and discussion supported by theoretical and empirical studies, this research has theoretical implications, practical implications and policy implications. This study provides theoretical implications, namely empirical evidence on the role of attribution theory in fraud prevention through the finding that village officials' competence, transparency, and accountability can improve fraud prevention, while individual morality cannot fully impact fraud prevention. In addition, the results of this study also strengthen and expand stewardship theory in proving that the effectiveness of internal control can affect fraud prevention.

This study also provides practical implications for village governments, especially village governments in Buton Regency, Southeast Sulawesi Province, namely empirical evidence that individual morality has no influence on fraud prevention. In this regard, individual morality cannot be used as the only strategy in preventing fraud in the village government. Village governments in Buton Regency need to prioritize the effectiveness of internal control, namely supervision with a system-based approach will be more effective in closing the opportunity for fraud to occur than an approach that only focuses on individual moral values. This research can contribute ideas for village governments in Buton Regency, Southeast Sulawesi Province to consider fraud prevention policies that lead to a more comprehensive approach by integrating the effectiveness of internal control.

Limitations

This research has several limitations that need to be considered, including: (1) this research was conducted on the village government in Buton Regency, Southeast Sulawesi Province, so that the results of the research are contextual; (2) this study only focuses on the effectiveness of internal control, the competence of village officials, transparency, accountability, and individual morality so that it does not include other factors that also have the potential to affect fraud prevention; (3) research data was obtained based on respondents' perceptions without further verification;

Suggestions

Based on the limitations that have been described, further research is expected to develop and improve the findings of this research through the following development directions: (1) Further research is suggested to expand the scope of the research area, not only limited to one district, but also to include several regions or provinces with different characteristics. This aims to improve the generalization of research results and obtain a more comprehensive picture of fraud prevention at the village government level in Indonesia; (2) The next study is recommended to use a mixed methods approach, which combines quantitative and qualitative methods. Qualitative approaches such as in-depth interviews or case studies can provide a deeper understanding of the real practices of internal control and the dynamics of fraud at the village level; (3) Further research is recommended to use longitudinal design to observe changes in variables over time, so as to provide a stronger understanding of the cause-and-effect relationship between research variables; and (4) Further research can also retest mediation models with different approaches, including considering moderation variables, to understand the more complex relationship between governance variables and fraud prevention.

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