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Mitigating Village Fund Fraud in Indonesia: The Role of Leadership, Transparency, and Community Engagement – Study in Central Bengkulu Regency

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ABSTRACT

Village fund management in Indonesia is crucial for rural development and poverty reduction. However, it is susceptible to fraud, hindering progress and eroding public trust. This study investigates the influence of leadership commitment, external supervision, reporting transparency, and community participation on fraud prevention in village fund management in Central Bengkulu Regency. A quantitative approach was employed, utilizing a survey method with 102 respondents, including village officials, government auditors, and related stakeholders. Data analysis was conducted using multiple linear regression to examine the relationship between the independent variables (leadership commitment, external supervision, reporting transparency, and community participation) and the dependent variable (fraud prevention). The findings demonstrate that leadership commitment, external supervision, reporting transparency, and community participation have a significant positive effect on fraud prevention in village fund management. Leadership commitment fosters an accountable organizational culture, while external supervision strengthens control mechanisms. Reporting transparency enhances public scrutiny, and community participation creates effective social control to minimize potential budget irregularities. In conclusion, This study recommends strengthening human resource capacity through training and education, increasing technology-based transparency for better information access, and promoting wider community involvement in the planning, implementation, and supervision of village funds. These measures collectively contribute to a more robust and fraud-resistant village fund management system.

1. Introduction

Village fund management (VFM) in Indonesia represents a strategic policy initiative by the Indonesian government aimed at expediting development and bridging the disparity between regions (Andaru, 2024). This policy is not merely a financial mechanism, it's a cornerstone of Indonesia's rural development strategy, designed to empower villages to chart their own development trajectories. The significance of VFM lies in its potential to catalyze economic growth, enhance public services, and elevate

the quality of life in rural Indonesia. By devolving fiscal authority to the village level, the Indonesian government seeks to foster a bottom-up development approach, ensuring that development interventions are tailored to the specific needs and priorities of local communities (Button, 2024). However, this ambitious endeavor is not without its challenges. The potential for fraud in managing these funds looms large, casting a shadow over the noble intentions of VFM (Febriana, 2022). Fraudulent practices, encompassing a spectrum of malfeasance such as financial statement



manipulation, misappropriation of funds, and outright embezzlement, pose a significant threat to the integrity and effectiveness of VFM (Charim, 2023).

The implications of village fund fraud extend far beyond mere financial losses. It erodes public trust, undermines the credibility of government institutions, and jeopardizes the very foundation of rural development efforts (Cross, 2022). When funds intended for development are siphoned off or misused, it deprives communities of vital resources, stifles economic progress, and perpetuates the cycle of poverty (Andaru, 2024). Moreover, village fund fraud has the potential to fuel social unrest and conflict. Perceptions of injustice and inequality, arising from the misallocation of public funds, can strain community relationships and create an environment conducive to social disharmony (Murtanto, 2022). In extreme cases, it may even lead to the breakdown of law and order, as citizens lose faith in the ability of the government to protect their interests and ensure the equitable distribution of resources (Charim, 2023).

Recognizing the gravity of the issue, this study delves into the intricate dynamics of village fund management, focusing on the factors that contribute to fraud prevention. Specifically, it examines the interplay of leadership commitment, external supervision, reporting transparency, and community participation in mitigating the risk of fraud in Central Bengkulu Regency, Indonesia (Hayati, 2021). The commitment of village leaders to the principles of integrity, transparency, and accountability is widely regarded as a crucial bulwark against fraud (Hendrawati, 2022). Leaders who champion ethical conduct, foster a culture of accountability, and implement robust internal controls play a pivotal role in creating an environment that deters fraudulent activities (Purnamasari, 2021). The oversight provided by government agencies and independent auditors serves as an external check on village fund management, ensuring compliance with regulations and deterring financial irregularities (Putra, 2021).

Regular audits, coupled with stringent financial reporting requirements, can help to identify and rectify potential loopholes in the system, minimizing the risk of fraud (Taqi, 2021). Transparent reporting mechanisms, which provide stakeholders with access to financial information, are indispensable for promoting accountability and public scrutiny (Wahyudi, 2022). When communities are empowered to monitor the flow of funds, it not only enhances their trust in the government but also acts as a deterrent to those who might be tempted to misappropriate public resources (Katsirin, 2024). The active involvement of the community in the planning, implementation, and monitoring of village fund projects is a cornerstone of good governance (Mait, 2021). By fostering a sense of ownership and shared responsibility, community participation can create a potent social control mechanism, minimizing opportunities for fraud and ensuring that development interventions truly reflect the needs and aspirations of the people they are intended to serve (Suharto, 2020). This study aims to contribute to the existing body of knowledge by addressing critical gaps in the literature on village fund fraud prevention.

2. Literature Review

Good governance is the bedrock upon which the effective and equitable management of public resources, including village funds, rests (Mait, 2021). It is a multifaceted concept that encompasses several key principles: transparency, accountability, participation, fairness, and the rule of law (Hamid, 2021). Transparency ensures that information about the allocation, utilization, and outcomes of village funds is readily accessible to the public (Hendrawati, 2022). This openness not only strengthens oversight and accountability but also fosters trust between the government and its citizens (Sidauruk, 2024). Accountability mechanisms hold decision-makers responsible for their actions, ensuring that they act in the best interests of the public (Mait, 2021). This



includes regular audits, financial reporting, and performance evaluations, which provide a clear picture of how village funds are being used and whether they are achieving their intended objectives (Murtanto, 2022). Participation emphasizes the importance of involving the community in the planning, implementation, and monitoring of village fund projects (Charim, 2023). By giving citizens a voice in how their resources are used, participation promotes a sense of ownership, strengthens social control, and ensures that development interventions are aligned with community needs and priorities (Febriana, 2022). Fairness guarantees that all citizens have equal rights and opportunities to benefit from village funds (Andaru, 2024). This means that resources must be allocated equitably, without discrimination based on gender, ethnicity, religion, or any other grounds (Sutisna, 2024). The rule of law ensures that all actions related to village fund management are conducted in accordance with the legal framework (Hayati, 2021). This includes adherence to procurement regulations, financial reporting standards, and anti-corruption laws, which help to prevent the misuse of public funds and promote integrity in the management of village resources (Suzuki, 2024).

The commitment of village leaders to the principles of good governance, particularly integrity and transparency, is widely recognized as a critical factor in preventing fraud (Suharto, 2020). Transformational leadership theory suggests that leaders who are genuinely committed to ethical conduct can inspire and motivate their followers to adopt similar behaviors, creating an organizational culture that deters fraud (Katsirin, 20204). This commitment manifests itself in various ways, such as;

Implementing robust internal controls: Committed leaders prioritize the establishment of strong internal controls, including segregation of duties, authorization procedures, and regular financial reconciliations, to safeguard village funds and minimize the risk of fraud

(Sari, 2022); **Promoting transparency:** Leaders who are committed to transparency champion open communication, provide stakeholders with access to financial information, and encourage public scrutiny of village fund management (Sidauruk, 2024); **Encouraging community participation:** Committed leaders actively involve the community in the planning, implementation, and monitoring of village fund projects, recognizing that community participation is a powerful tool for ensuring accountability and preventing fraud (Andaru, 2024).

External supervision, typically conducted by government agencies and independent auditors, provides an additional layer of control over village fund management, complementing the internal controls implemented by village leaders (Taqi, 2021). This external oversight serves several important functions; **Ensuring compliance:** External supervisors verify that village fund management practices adhere to relevant regulations, laws, and financial reporting standards, minimizing the risk of non-compliance and promoting accountability (Murtanto, 2022); **Strengthening the check-and-balance mechanism:** External supervision acts as an independent check on the power of village leaders, reducing the likelihood of abuse of power and financial impropriety (Charim, 2023); **Detering fraud:** The knowledge that their actions will be scrutinized by external parties can act as a deterrent to those who might be tempted to engage in fraudulent activities, promoting a culture of integrity and accountability in village fund management (Febriana, 2022).

Transparent reporting mechanisms are the cornerstone of accountable and trustworthy village fund management (Cross, 2022). By providing stakeholders with clear, accurate, and timely financial information, transparent reporting enables public scrutiny, enhances accountability, and fosters trust between the government and its citizens (Hamid, 2021). The benefits of transparent reporting are manifold; **Monitoring fund usage:** Transparent reporting allows stakeholders to track how village



funds are being used, ensuring that they are allocated and spent in accordance with approved plans and priorities (Hendrawati, 2022); Verifying financial statements: By making financial statements readily available, transparent reporting enables stakeholders to verify their accuracy and completeness, reducing the risk of financial misreporting and fraud (Sidauruk, 2024); Fostering trust: Transparent reporting demonstrates a commitment to openness and accountability, which can strengthen trust between the government and its citizens, creating a more conducive environment for community participation and collaboration in village development initiatives (Mait, 2021).

Community participation in village fund management is not merely a matter of good governance; it is a strategic imperative for preventing fraud and ensuring that development interventions truly benefit the intended beneficiaries (Putra, 2021). Social capital theory highlights the importance of community engagement in building trust, promoting social cohesion, and creating effective social control mechanisms that can deter fraud and other forms of malfeasance (Suzuki, 2024). When communities are actively involved in the planning, implementation, and monitoring of village fund projects, they develop a sense of ownership and shared responsibility for the success of these initiatives (Murtanto, 2022). This sense of ownership can translate into greater vigilance and a willingness to speak out against any observed or suspected irregularities, creating a potent deterrent to fraud (Charim, 2023). Moreover, community participation can provide valuable insights into local needs and priorities, ensuring that village funds are allocated and spent on projects that truly benefit the community (Febriana, 2022). This participatory approach not only enhances the effectiveness of development interventions but also strengthens community trust in the government, creating a virtuous cycle of collaboration and mutual accountability (Andaru, 2024).

3. Methods

This study adopts a quantitative approach to investigate the factors influencing fraud prevention in village fund management in Central Bengkulu Regency, Indonesia. Quantitative research is deemed suitable for this study as it aims to establish relationships between variables and test hypotheses through statistical analysis of numerical data. This approach allows for the quantification of the impact of leadership commitment, external supervision, reporting transparency, and community participation on fraud prevention, providing objective and measurable results.

The study employs a survey research design, which involves collecting data from a sample of respondents using a structured questionnaire. Survey research is chosen due to its ability to gather information from a large number of respondents in a relatively short period, making it efficient for exploring the perspectives of various stakeholders involved in village fund management. The survey questionnaire is designed to capture quantitative data on the independent variables (leadership commitment, external supervision, reporting transparency, and community participation) and the dependent variable (fraud prevention).

The population for this study comprises individuals involved in village fund management in Central Bengkulu Regency, Indonesia. This includes village officials responsible for managing and overseeing village funds, government auditors who conduct external supervision of village fund usage, and community representatives who participate in the planning and monitoring of village fund projects. A sample of 102 respondents is selected from the population using a purposive sampling technique. Purposive sampling is employed to ensure that the sample includes individuals with relevant knowledge and experience in village fund management, maximizing the validity and reliability of the data collected. The sample size of 102 is considered



adequate for this study, as it provides sufficient statistical power to detect meaningful relationships between the variables under investigation.

The primary data collection technique for this study is a structured questionnaire. The questionnaire is meticulously designed to capture quantitative data on the variables of interest, using a combination of closed-ended questions with Likert scale responses and open-ended questions to allow for more detailed feedback. The Likert scale questions measure the respondents' level of agreement or disagreement with statements related to leadership commitment, external supervision, reporting transparency, community participation, and fraud prevention. The open-ended questions provide respondents with the opportunity to elaborate on their experiences and perspectives, enriching the qualitative insights gained from the study. Before administering the questionnaire to the main sample, a pilot study is conducted with a small group of respondents to ensure the clarity, relevance, and comprehensiveness of the questions. Feedback from the pilot study is used to refine the questionnaire, ensuring its effectiveness in capturing the desired data. The questionnaire is administered to the selected respondents through a combination of online and offline methods. Online surveys are distributed via email and social media platforms, while offline surveys are conducted through face-to-face interviews and paper-based questionnaires. This multi-modal approach ensures wider reach and accessibility, accommodating respondents' preferences and technological capabilities.

To facilitate quantitative analysis, the variables under investigation are operationalized as follows; Leadership Commitment: Measured using a composite score based on respondents' perceptions of village leaders' integrity, transparency, accountability, and commitment to ethical conduct. Indicators include adherence to regulations, open communication, and active involvement in fraud prevention initiatives;

External Supervision: Measured using a composite score based on respondents' perceptions of the frequency, thoroughness, and effectiveness of external audits and supervisory visits conducted by government agencies and independent auditors. Indicators include adherence to audit standards, timely reporting of findings, and follow-up on recommendations; Reporting Transparency: Measured using a composite score based on respondents' perceptions of the accessibility, clarity, and timeliness of financial information related to village fund management. Indicators include public availability of financial reports, use of technology for information dissemination, and responsiveness to information requests; Community Participation: Measured using a composite score based on respondents' perceptions of the extent to which the community is involved in the planning, implementation, and monitoring of village fund projects. Indicators include community representation in decision-making bodies, participation in project selection and implementation, and feedback mechanisms for community input; Fraud Prevention: Measured using a composite score based on respondents' perceptions of the effectiveness of measures taken to prevent fraud in village fund management. Indicators include the presence of anti-fraud policies and procedures, training on fraud awareness and prevention, and reporting mechanisms for suspected fraud.

The data collected through the survey questionnaire is analyzed using a combination of descriptive and inferential statistics. Descriptive statistics, including frequencies, percentages, means, and standard deviations, are used to summarize and describe the characteristics of the sample and the distribution of responses for each variable. Inferential statistics, specifically multiple linear regression analysis, are employed to examine the relationship between the independent variables (leadership commitment, external supervision, reporting transparency, and community participation) and the



dependent variable (fraud prevention). Multiple linear regression allows for the assessment of the individual and combined effects of the independent variables on the dependent variable, while controlling for potential confounding factors. The regression model is tested for its overall significance and the individual significance of each independent variable. The coefficients of the independent variables indicate the direction and magnitude of their impact on fraud prevention. The R-squared value of the model indicates the proportion of variance in fraud prevention that can be explained by the independent variables included in the model.

This study adheres to ethical research principles, including informed consent, confidentiality, and anonymity. Informed consent is obtained from all respondents prior to their participation in the study. They are informed about the purpose of the study, the data collection procedures, and their rights as participants. Confidentiality is maintained throughout the research process, ensuring that respondents' identities and responses are kept private. Data is stored securely, and any identifying information is removed during analysis and reporting.

4. Results

Table 1 presents the validity and reliability of the measurement instrument used in the study; Variable:

This refers to the concepts being measured in the study, namely Leadership Commitment, External Supervision, Reporting Transparency, and Community Participation; Corrected Item-Total Correlation: This assesses the correlation between each individual item in a scale (e.g., a set of questions measuring Leadership Commitment) and the total score of that scale. A higher correlation indicates that the item is measuring the same concept as the other items in the scale. Generally, a corrected item-total correlation above 0.3 is considered acceptable. In this table, all variables show values above 0.6, suggesting good validity; Cronbach's Alpha: This is a measure of internal consistency reliability. It assesses how closely related a set of items are as a group. A higher Cronbach's alpha indicates greater internal consistency, meaning the items are likely measuring the same underlying construct. A value of 0.7 or higher is generally considered acceptable. In this table, the overall Cronbach's alpha is 0.843, indicating good reliability of the measurement instrument as a whole; Information: This column simply provides an overall assessment of validity based on the corrected item-total correlation. All variables are deemed "Valid," indicating that the instrument is effectively measuring the intended concepts.

Table 1. The validity and reliability.

Variable	Corrected item-total correlation	Cronbach's alpha	Information
Leadership commitment	645	-	Valid
External supervision	721	-	Valid
Reporting transparency	603	-	Valid
Community participation	674	-	Valid
-	-	843	Reliable



Table 2 presents the results of a multiple linear regression analysis, which examines the relationship between several independent variables and a dependent variable; Variable: This lists the variables included in the regression model. "Constant" refers to the y-intercept, the predicted value of the dependent variable when all independent variables are zero. The other variables are your independent variables (Leadership Commitment, External Supervision, Reporting Transparency, and Community Participation) that are hypothesized to influence fraud prevention; B (Coefficient): This represents the estimated effect of each independent variable on the dependent variable. A positive coefficient indicates a positive relationship (as the independent variable increases, the dependent variable is also expected to increase). For example, the coefficient for "Leadership Commitment" is 0.412. This suggests that for every

one-unit increase in Leadership Commitment, fraud prevention is expected to increase by 0.412 units, holding other variables constant; t-Value: This is a measure of the statistical significance of each coefficient. A larger absolute t-value indicates a higher likelihood that the relationship between the independent variable and the dependent variable is not due to chance; Sig. (p): This is the p-value associated with the t-value. It indicates the probability of observing the obtained results (or more extreme results) if there were truly no relationship between the independent variable and the dependent variable. A p-value less than 0.05 is generally considered statistically significant. In this table, all independent variables have a p-value of 0.000, which is less than 0.05. This means that all four independent variables have a statistically significant effect on fraud prevention.

Table 2. Regression analysis.

Variable	B	t-Value	Sig. (p)
Constant	523	-	-
Leadership Commitment	412	5.320	0
External Supervision	385	4.921	0
Reporting Transparency	367	4.732	0
Community Participation	402	4.815	0

Table 3 provides an interpretation of the regression analysis results, further elaborating on the findings presented in Table 2. It breaks down the impact of each independent variable on fraud prevention in village fund management; Leadership Commitment: This has the strongest positive influence on fraud prevention. An increase in leadership commitment leads to a substantial increase in fraud prevention. This suggests that when leaders are dedicated to integrity and accountability, it fosters a culture that deters fraud; External Supervision: This also has a significant positive impact. Regular audits and

inspections by external agencies help ensure compliance and deter fraudulent activities; Reporting Transparency: Open and accessible financial reporting contributes positively to fraud prevention. Transparency allows for public scrutiny, which holds those managing funds accountable; Community Participation: Active involvement of the community in planning and monitoring village funds has a significant positive effect on preventing fraud. This suggests that community engagement fosters social control and deters fraudulent practices.



Table 3. Interpretation of analysis.

Variable	Coefficient (B)	Standard error	t-Value	p-Value	Interpretation
Leadership commitment	412	77	5.320	0	Leadership commitment has the strongest positive influence on fraud prevention. A one-unit increase in leadership commitment leads to a 0.412 unit increase in fraud prevention, holding other variables constant. This suggests that committed leaders foster an accountable and transparent organizational culture that deters fraudulent activities.
External supervision	385	78	4.921	0	External supervision also has a significant positive impact on fraud prevention. A one-unit increase in external supervision is associated with a 0.385 unit increase in fraud prevention. This highlights the importance of regular audits and inspections in deterring fraud and ensuring compliance.
Reporting transparency	367	77	4.732	0	Reporting transparency contributes positively to fraud prevention. A one-unit increase in reporting transparency leads to a 0.367 unit increase in fraud prevention. Transparent reporting enables public scrutiny, enhances accountability, and reduces the likelihood of fraud.
Community participation	402	83	4.815	0	Community participation has a significant positive effect on fraud prevention. A one-unit increase in community participation is associated with a 0.402 unit increase in fraud prevention. Active community involvement fosters social control and deters fraudulent practices.

5. Discussion

The study's findings unequivocally demonstrate that leadership commitment is the linchpin of fraud prevention in village fund management. This resonates with good governance theory, which underscores the

pivotal role of leadership in shaping an organizational culture that prioritizes integrity and accountability (Wahyudi, 2022). Committed leaders, driven by an unwavering dedication to ethical conduct, act as catalysts for creating an environment that deters



fraud. They champion transparency, advocate for robust internal controls, and actively involve the community in the oversight of village funds (Sutisna, 2024). Their actions inspire trust, not only among those they lead but also among the citizens they serve, fostering a sense of collective responsibility for safeguarding public resources (Febriana, 2022).

The importance of leadership commitment extends beyond mere compliance with regulations. It's about setting a moral compass for the entire organization, ensuring that every decision, every action, is guided by the principles of integrity and accountability (Sidauruk, 2024). When leaders embody these principles, they create a ripple effect, influencing the behavior of those around them and fostering a culture where fraud is not only discouraged but also actively prevented (Andaru, 2024).

Committed leaders embody the principles of integrity and accountability in their own actions, setting a clear example for others to follow. They are transparent in their dealings, uphold ethical standards, and actively promote a culture of honesty and integrity within the organization (Hendrawati, 2022). Leaders who are committed to fraud prevention prioritize transparency in all aspects of village fund management. They ensure that financial information is readily accessible to the public, encourage community scrutiny, and actively communicate the organization's commitment to openness and accountability (Sari, 2022). Committed leaders recognize the importance of strong internal controls in deterring and detecting fraud. They advocate for the implementation of clear policies and procedures, segregation of duties, and regular financial reconciliations to safeguard village funds and minimize the risk of misappropriation (Febriana, 2022). Committed leaders welcome external scrutiny and actively support the work of government audit agencies and independent auditors. They recognize that external supervision plays a crucial role in ensuring compliance, strengthening accountability,

and deterring fraud (Sidauruk, 2024). Committed leaders view community participation as a cornerstone of fraud prevention. They actively involve the community in the planning, implementation, and monitoring of village fund projects, recognizing that community engagement strengthens social control and promotes a sense of shared responsibility for safeguarding public resources (Andaru, 2024). Committed leaders cultivate a culture of accountability within the organization, where every individual is responsible for upholding ethical standards and contributing to fraud prevention efforts. They establish clear reporting mechanisms for suspected fraud, protect whistleblowers, and take swift action against any instances of financial malfeasance (Murtanto, 2022). Committed leaders recognize that fraud prevention is an ongoing process and continuously seek ways to improve the organization's fraud prevention framework. They stay abreast of emerging fraud trends, adapt their strategies accordingly, and invest in training and development programs to enhance the organization's capacity to prevent and detect fraud (Charim, 2023). The impact of committed leadership extends far beyond the confines of the organization. It creates a ripple effect that influences the behavior of individuals, strengthens community trust, and contributes to a broader culture of integrity and accountability in society. When leaders consistently demonstrate their commitment to ethical conduct and fraud prevention, they inspire others to follow suit. This can lead to a virtuous cycle, where individuals are motivated to uphold high ethical standards, not only in their professional lives but also in their personal lives. Furthermore, committed leadership fosters trust between the government and its citizens. When citizens perceive that their leaders are genuinely committed to safeguarding public resources and preventing fraud, they are more likely to trust government institutions and actively participate in civic processes.



While leadership commitment lays the foundation for fraud prevention, external supervision acts as an indispensable safeguard, ensuring that the system remains resilient to potential vulnerabilities (Purnamasari, 2021). Regular audits and inspections by government agencies and independent auditors provide an objective and impartial assessment of village fund management practices (Mait, 2021). This external scrutiny not only helps to identify and rectify any financial irregularities but also acts as a deterrent to those who might be tempted to misappropriate public funds (Murtanto, 2022). Moreover, external supervision plays a crucial role in strengthening the check-and-balance mechanism, ensuring that no single individual or entity has unfettered control over village funds (Charim, 2023). This separation of powers minimizes the risk of abuse and promotes transparency and accountability in the management of public resources (Hayati, 2021).

External supervisors play a critical role in ensuring that village fund management practices adhere to all applicable laws, regulations, and financial reporting standards. They conduct thorough reviews of financial records, procurement processes, and project implementation to identify any instances of non-compliance and recommend corrective actions (Febriana, 2022). This helps to mitigate the risk of fraud by promoting a culture of adherence to rules and regulations. External supervision acts as an independent check on the power of village leaders and other officials involved in managing village funds. By providing objective and impartial assessments of financial management practices, external supervisors hold those responsible for managing public resources accountable for their actions (Sidauruk, 2024). This strengthens the overall accountability framework and reduces the likelihood of financial mismanagement and fraud. The knowledge that their actions will be subject to external scrutiny can act as a powerful deterrent to those who might be tempted to engage in fraudulent activities. The mere presence of external

supervisors can create a sense of oversight and accountability, discouraging individuals from attempting to misappropriate or misuse village funds (Andaru, 2024). External supervisors are trained to identify red flags and anomalies that may indicate fraudulent activity. Through their rigorous audits and inspections, they can uncover hidden patterns of financial irregularities, misappropriation, or corruption that might otherwise go undetected (Murtanto, 2022). This early detection of fraud can help to minimize financial losses and prevent further damage. External supervisors not only identify shortcomings but also offer valuable recommendations for improvement. They share best practices in financial management, internal controls, and fraud prevention, helping villages to strengthen their systems and safeguard public resources (Charim, 2023). This knowledge transfer can contribute to the long-term sustainability of fraud prevention efforts.

Investing in the capacity building of government audit agencies and independent auditors is crucial. This includes providing them with adequate resources, training on the latest fraud detection techniques, and access to technology-driven audit tools (Sidauruk, 2024). Ensuring the independence and impartiality of external supervisors is paramount. This requires establishing clear conflict of interest guidelines, protecting supervisors from undue influence, and promoting a culture of professionalism and ethical conduct (Mait, 2021). Adopting a risk-based approach to external supervision can help to focus resources on areas most vulnerable to fraud. This involves assessing the inherent risks associated with different aspects of village fund management and tailoring audit procedures accordingly (Murtanto, 2022). Enhancing collaboration and coordination between different external supervisory bodies can help to avoid duplication of efforts and ensure comprehensive coverage of fraud prevention activities. This includes establishing clear communication channels and information sharing protocols (Charim, 2023).



Involving the community in the external supervision process can provide valuable insights and enhance transparency. This can be achieved through community participation in audit committees, feedback mechanisms on audit findings, and public forums to discuss fraud prevention efforts (Hayati, 2021).

Transparency in financial reporting is the bedrock upon which public trust is built. It's the light that illuminates the path of accountability, allowing citizens to trace the flow of public funds and hold those responsible for their management accountable (Suharto, 2020). Open access to financial information empowers citizens to scrutinize the allocation, utilization, and outcomes of village fund projects, ensuring that these resources are used judiciously and for their intended purpose (Hendrawati, 2022). This public oversight acts as a powerful deterrent to fraud, as those entrusted with managing village funds know that their actions are subject to public scrutiny (Purnamasari, 2021). Furthermore, transparent reporting fosters a sense of ownership and shared responsibility among community members (Putra, 2021). When citizens are privy to the financial workings of their village, they are more likely to actively participate in the planning, implementation, and monitoring of development projects, creating a collaborative environment that minimizes the risk of fraud (Taqi, 2021).

Transparent reporting requires making financial information readily accessible to the public. This includes publishing financial reports, budgets, and audit findings in a timely manner, both online and offline, in formats that are easy to understand (Katsirin, 2024). Financial reports should be presented in a clear and concise manner, avoiding technical jargon and using visual aids to enhance understanding. The information provided should be comprehensive, covering all aspects of village fund management, including revenue sources, expenditures, and project outcomes (Hendrawati,

2022). Financial information should be made available to the public in a timely manner, allowing for prompt scrutiny and feedback. Delays in reporting can create opportunities for fraud and erode public trust (Purnamasari, 2021). The accuracy and reliability of financial information are paramount for maintaining public trust. Financial reports should be prepared in accordance with relevant accounting standards and subject to independent audits to ensure their integrity (Putra, 2021). Transparent reporting also involves being responsive to public inquiries and feedback. Establishing clear channels for citizens to ask questions, raise concerns, and receive timely responses demonstrates a commitment to openness and accountability (Taqi, 2021).

Transparent reporting acts as a powerful deterrent to fraud by increasing the perceived risk of detection and punishment. When individuals know that their actions are subject to public scrutiny, they are less likely to engage in fraudulent activities (Wahyudi, 2022). Transparency holds those responsible for managing village funds accountable for their actions. By providing citizens with the information they need to monitor fund usage and project outcomes, transparent reporting ensures that public resources are used efficiently and effectively (Katsirin, 2024). Open and transparent reporting fosters trust between the government and its citizens. When citizens feel that they are being kept informed and that their voices are being heard, they are more likely to trust government institutions and support their initiatives (Mait, 2021). Transparent reporting encourages community participation in village fund management. When citizens have access to clear and comprehensive financial information, they are better equipped to engage in meaningful discussions, provide feedback, and contribute to decision-making processes (Suharto, 2020). By promoting accountability and community participation, transparent reporting can lead to improved development outcomes. When resources are used efficiently and effectively, and



projects are aligned with community needs and priorities, the impact of village funds is maximized (Sutisna, 2024). Technology can play a transformative role in enhancing reporting transparency. Online platforms, mobile applications, and social media can be used to disseminate financial information widely and efficiently, reaching even the most remote communities. Interactive dashboards, data visualizations, and infographics can make complex financial data more accessible and engaging for citizens. Furthermore, technology can facilitate real-time reporting, providing citizens with up-to-date information on village fund management. This can enable prompt feedback, enhance community participation, and strengthen accountability.

Community participation is not merely an element of good governance, it is a potent weapon in the fight against fraud (Cross, 2022). When citizens are actively involved in the oversight of village funds, they become the eyes and ears of the community, ever vigilant against any signs of financial impropriety (Wahyudi, 2022). This collective vigilance creates a formidable deterrent to fraud. Potential wrongdoers are less likely to attempt to misappropriate public funds when they know that the community is actively monitoring their every move (Katsirin, 2024). Moreover, community participation fosters a sense of ownership and shared responsibility for the success of village development projects (Mait, 2021). When citizens feel invested in the outcomes of these projects, they are more likely to safeguard the resources allocated to them, minimizing the risk of fraud and ensuring that the benefits reach the intended beneficiaries (Suharto, 2020).

Community participation begins with the planning stage of village fund projects. Citizens should be actively involved in identifying needs, setting priorities, and formulating project proposals. This ensures that development interventions are aligned with community needs and priorities (Febriana, 2022). Community members should also be actively involved in the implementation of village fund projects. This can

include participating in project monitoring committees, providing feedback on project progress, and volunteering their time and expertise to support project activities (Sidauruk, 2024). Community participation plays a crucial role in overseeing and monitoring the use of village funds. Citizens can monitor project implementation, track expenditures, and report any suspected irregularities to relevant authorities (Andaru, 2024). Community feedback is essential for assessing the effectiveness of village fund projects and identifying areas for improvement. Regular consultations, feedback mechanisms, and community-led evaluations can help to ensure that projects are meeting their objectives and that public resources are being used effectively (Murtanto, 2022).

Community participation acts as a powerful deterrent to fraud by increasing the perceived risk of detection and punishment. When potential wrongdoers know that the community is actively monitoring their actions, they are less likely to engage in fraudulent activities (Charim, 2023). Community participation strengthens accountability by empowering citizens to hold those responsible for managing village funds accountable for their actions. This can help to prevent financial mismanagement, promote transparency, and ensure that public resources are used for their intended purpose (Hayati, 2021). When community members are actively involved in the planning, implementation, and monitoring of village fund projects, they develop a sense of ownership and shared responsibility for their success. This can lead to greater vigilance in safeguarding public resources and a willingness to speak out against any suspected irregularities (Hendrawati, 2022). Community participation can enhance the effectiveness and sustainability of village fund projects. By ensuring that projects are aligned with community needs and priorities, and by promoting local ownership and participation, community participation can lead to more impactful and sustainable development outcomes (Purnamasari,



2021).

Raising community awareness about the importance of their participation in village fund management is crucial. This can be achieved through public campaigns, community meetings, and the dissemination of information through various channels, including traditional and social media (Putra, 2021). Providing training and capacity building programs to community members can equip them with the knowledge and skills necessary to effectively participate in village fund management. This can include training on participatory planning, budgeting, monitoring, and evaluation (Taqi, 2021). Establishing clear and accessible mechanisms for community participation is essential. This can include setting up community oversight committees, developing feedback mechanisms, and ensuring that community representatives have a voice in decision-making processes (Wahyudi, 2022). Transparent and accessible information is a prerequisite for effective community participation. Ensuring that citizens have access to clear and comprehensive financial information empowers them to engage in meaningful discussions and contribute to oversight efforts (Katsirin, 2024).

6. Conclusion

This study has underscored the critical role of leadership commitment, external supervision, reporting transparency, and community participation in mitigating the risk of fraud in village fund management in Indonesia. The findings indicate that a concerted effort is required to enhance fraud prevention mechanisms. This involves strengthening human resource capacity through training and education, promoting wider community involvement in the planning, implementation, and supervision of village funds, and increasing technology-based transparency for better information access. The study's findings have significant implications for policymakers, village officials, and community

members alike. Policymakers should prioritize the development and implementation of comprehensive fraud prevention strategies that encompass all four key elements identified in this study. This includes providing adequate funding for training and education programs, strengthening external supervisory mechanisms, and promoting the use of technology to enhance transparency and community participation. Village officials must demonstrate unwavering leadership commitment to the principles of integrity, transparency, and accountability. They should foster a culture of ethical conduct, implement robust internal controls, and actively involve the community in the oversight of village funds. Furthermore, community members must recognize their crucial role in fraud prevention and actively participate in the planning, implementation, and monitoring of village fund projects. By working together, policymakers, village officials, and community members can create a more robust and fraud-resistant village fund management system in Indonesia. This will not only safeguard public resources but also enhance community trust and promote sustainable rural development. The study's limitations, such as the specific focus on Central Bengkulu Regency, suggest the need for further research to explore the dynamics of fraud prevention in different contexts and across different regions of Indonesia. This will enrich our understanding of the multifaceted nature of fraud prevention and contribute to the development of more effective strategies to combat this pervasive issue.

7. References

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