

Research Article

Analysis of the Presentation of Financial Statements and the Morality of Apparatus on the Potential of Fraud in Village Financial Management

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ORCIDMey Maemunah: <https://orcid.org/0000-0002-5523-1717>**Abstract.**

Referring to Permendagri (Minister of Home Affairs Regulation) No. 20 of 2018, the presentation of transparent and accountable financial reports can serve as a deterrent against fraud in village funds. Furthermore, the moral support of village officials can aid in the proper management of funds in accordance with the provisions outlined in Permendagri. Thus, the presentation of financial reports is expected to provide accurate information and assist users in their decision-making processes. The research method employed in this study is a case study with a descriptive analysis approach. Non-probability sampling with saturated samples is utilized as the sampling technique. Data collection techniques involve observation, in-depth interviews, and documentation. The results indicate that the presentation of financial statements in Karyalaksana Village and Lampegan Village is considered satisfactory. Similarly, the level of moral conduct among the village officials ranges from conventional to post-conventional, thereby reducing the potential for fraud in village financial management.

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1. INTRODUCTION

The village is a form of government that is directly related to the community. According to law no. 6 of 2014 [1] concerning the village, the village can be defined as a unit of community that has boundaries with the authority to regulate and manage the affairs of government, the interests of local communities based on community initiatives, the right of the origin, and/or traditional rights recognized and respected in the system of government of the Republic of Indonesia. The village is an autonomous government with special rights granted related to, among others, financial management and allocation of village funds, village head elections, and village development process.

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Related to article 1 of the regulation of the Minister of Finance number 222 of 2020 [2] concerning the Management of Village Funds, it is stated that village funds are funds sourced from the state revenue and expenditure budget designated for villages which are transferred through the regency regional revenue and expenditure budget and are used to fund government administration, development implementation, community development, and community empowerment. The allocation of village funds always increases every year. The total allocation

of village funds based on data from the Ministry of Finance in 2018 was Rp. 60 trillion (T), in 2019 was Rp. 70 T, while in 2020 became Rp. 72 T for all villages in 33 provinces. The amount of the allocation of funds surely must be managed and accounted for by the relevant apparatus.

The amount of village fund allocation must be used in a controlled and consistent manner for activities as stated in Article 1 of the Constitutional Court (MK) Regulation No. 222 of 2020 [2], and is carried out in accordance with the content specified in Permendagri No. 20 of 2018 [3]. By referring to this regulation, it is hoped that fraud in village funds can be prevented so that the presentation of village financial statements will be transparent and accountable. In addition, moral support of the village apparatus will contribute to the process of managing funds according to the provisions of the Minister of Home Affairs, thus the presentation of financial statements can provide accurate information and can help the users' decision-making process. Fraud and financial statements manipulation had taken places in many countries, including Indonesia and even involving several reputable accountant public firms in the world, whereas the public accountant profession existence were heavily dependent on the public trust as the users of public accountant profession services [4]

2. LITERATURE REVIEW

2.1. State of the Art

Fraud is less likely to occur if individuals in the organization have a high awareness of their role that is supported by good morality. Crucially, humans are aware of their nature as creatures of God who will be held accountable for what is done in the world because Allah knows every action taken by His servants. As it is stated in the Holy Qur'an surah Al-Mujadila verse 7, which means *"Do you not see that Allah knows whatever is in the heavens and whatever is on the earth? If three converse privately, He is their fourth. If five, He is their sixth. Whether fewer or more, He is with them wherever they may*

be. Then, on the Day of Judgment, He will inform them of what they have done. Verily, Allah has perfect knowledge of all things” [5]. This verse provides a quite meaningful explanation as a control for humans not to take wrong actions, especially in terms of managing funds through the presentation of village financial statements.

The presentation of village financial statements has been regulated in the Regulation of the Minister of Home Affairs of the Republic of Indonesia No. 20 of 2018 [3] concerning Village Financial Management. The content in Article 29 of the Minister of Home Affairs is a normative measure that must be realized in accounting information so that it can achieve its goals. In addition, the regulation can also become a control and basis for evaluating the performance of village government, so that the presentation of good village financial statements will minimize the potential for fraud. All the more if it is added with individual awareness in understanding the following verses of the Qur'an: *“Woe to the defrauders! Those who take full measure when they buy from people, but give less when they measure or weigh for buyers. Do such people not think that they will be resurrected for a tremendous Day—the Day all people will stand before the Lord of all worlds?”* [5].

The interpretation of this paragraph in the context of presentation of financial statements is quite clear that the information presented in the financial statements must be relevant, reliable, comparable, and also understandable. This means that the financial statements presented are free from all forms of fraud.

2.1.1. Presentation of Financial Statements

Village financial management is a series of consolidated and integrated cycles of one stage after another. Village finances must be managed based on transparent, accountable, participatory principles and carried out in an orderly and budgetary discipline [6]. The village financial management cycle for good village financial presentation has been regulated in Permendagri No. 20 of 2018 [3] as shown in Figure 1 below:

2.1.2. Morality of Apparatus

Morals are all the norms that regulate human behavior in society to do good and right actions [7] Individual morality is a person's reasoning ability to solve problems in ethical dilemma situations by making a prior assessment of social and values regarding the action to be taken and decides whether it is ethical or not [8]. According to Kohlberg, the assessment of moral considerations can be seen from the right and good of an

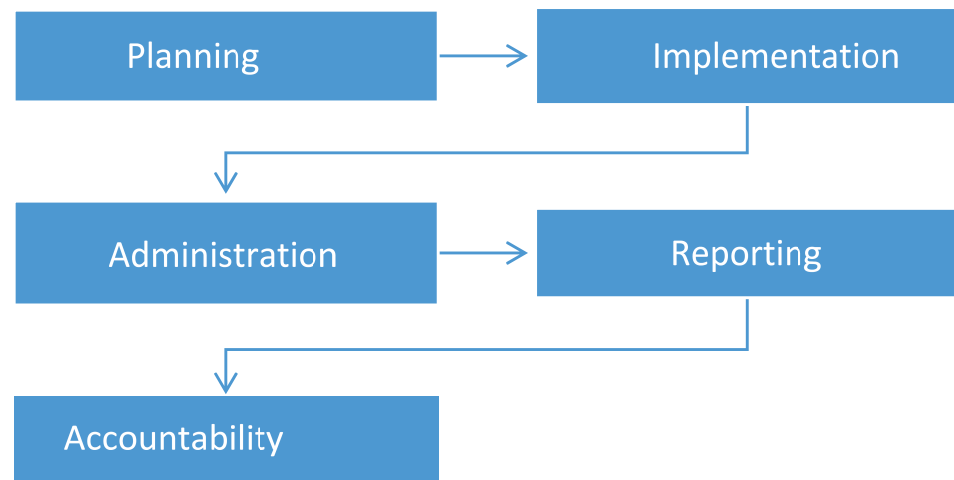


Figure 1: The Cycle of Village Financial Management (Permendagri No.20 Tahun 2018).

action, while the stages of moral development are seen from the results of the growing ability to understand social reality or to organize and integrate social experiences so as to give rise to the ability to think logically which affects the high and low of someone's moral size based on the development of his moral reasoning [9]. There are three levels of moral development: the pre-conventional stage, the conventional stage, and the post-conventional stage. The pre-conventional moral stage is the lowest stage, where a person will take action because he fears of the punishment of the existing laws or regulations. The second stage (conventional) is the conformist level by making efforts to maintain the expectations of the group. Meanwhile, the highest stage, namely post-conventional, is a situation where individuals base their actions by paying attention to the interests of others and complying with universal legal actions.

2.2. Fraud

An American penologist, Donald R. Cressey, quoted from Tuanakotta [10] suggests that there are three reasons why humans commit fraud. The first reason is that they are under tremendous pressure because they desperately need money but they cannot share that problem with others. The second reason is that there is an opportunity to commit fraud, meaning that although there is a need for money that he cannot tell others, if there is no opportunity, then fraud cannot be

committed. The third reason is justification. Rationalization is shown when the perpetrators seek justification before they are committing fraud, not after [9]. These three factors are described in the following fraud triangle form [11].

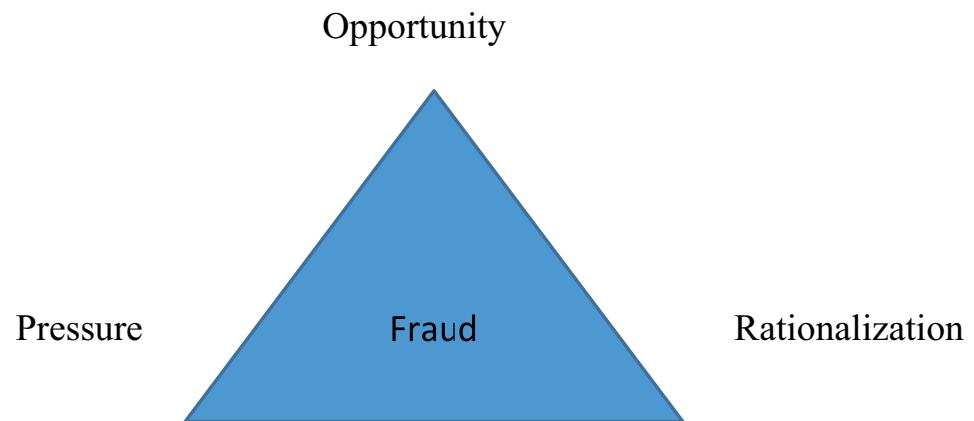


Figure 2: Fraud Triangle.

3. RESEARCH METHODOLOGY

The method used in this research is a case study in Karyalaksana Village in Majalaya, Bandung Regency. The one-case method is a research that involves one case unit of an organization, an area or empirical research [12]. The type of research conducted is descriptive analysis research. The sampling technique used is non-probability sampling with saturated samples.

There are three variables in this study, namely Presentation of Financial Statements, Morality, and Fraud. The techniques of data collection used are as follows:

- (a) Observation is a research technique that uses the five senses, vision/sight in particular, over an object/research variable. Observations were made at the Karyalaksana Village institution.
- (b) In-depth interview is a data collection technique carried out by interviewing related parties on a research object/variable. Interviews were conducted with the relevant village apparatus.
- (c) Documentation is a technique of collecting data based on documents related to the object of research, both documents from the accounting study program or from various articles and related rules/regulations.

This research took place in Majalaya Bandung Regency with the objects of research were Karyalaksana Village and Lampegan Village.

4. RESULT AND DISCUSSION

4.1. Presentation of Village Financial Statement

Financial statements are written records of financial information of an organization in an accounting period. Presentation of financial statements can represent the performance of an organization through finance. Based on Permendagri No. 20 of 2018 [3], it is stated that village financial management is the entire activity that includes planning, implementation, administration, reporting and accountability. Through financial management, it is hoped that village funds distributed to each village can be presented in a transparent and accountable manner. The following data are obtained from respondents' responses to the presentation of financial statements:

Table 1 above shows that the overall score for the presentation of financial statements is 1,793, which is in the high range. This means that the Karyalaksana and Lampegan villages as the research subjects have performed the presentation of financial statements well. Of all the questions asked, the average respondent gave a response that was in accordance with the target. This shows that the financial management activities in the two villages are quite good. The financial presentation has been maximally carried out even though it is not completely perfect.

4.2. Morality of the Village Apparatus

Moral is a standard of behavior that allows everyone to live cooperatively in a group. The following table presents the respondents' responses to morality.

Based on table 2 above, it is known that the total score of the six statements submitted to the respondents is 331, in which if referring to the provisions that have been made previously, this score is in the high category. This means that the overall level of morale of village apparatus in the two villages of research subjects is quite good. From the results of the score based on dimensions, the post-conventional dimension score has a fairly high number of 68, which indicates that in general village apparatus have a high level of awareness of their rights, obligations, responsibilities, and rules.

5. Fraud Potential in Village Fund Management

Fraud is very difficult to be eliminated, but it can be prevented through control efforts by understanding the causes of its occurrence. The following is data on respondents' responses to fraud.

TABLE 1: Results of Respondents' Responses to the Presentation of Financial Statements.

No	Statement Items	F	Answer Choices					Total
			1	2	3	4	5	
			TP	P	KD	SR	SL	
1	Village revenue and expenditure budget	F	0	0	0	14	18	
	plan is prepared annually according to the RKP	%	0	0	0	43.8	56.25	
		Score	0	0	0	56	90	146
2	Village apparatus make a fund withdrawal	F	0	0	7	15	10	
	plan for the activities that have been budgeted	%	0	0	21.88	46.9	31.25	
		Score	0	0	21	60	50	131
3	Village apparatus provide details on location, volume, cost, target time for implementing activities, and who implement the budget and team activities	F	0	3	7	9	13	
		%	0	9.375	21.88	28.1	40.63	
		Score	0	6	21	36	65	128
4	Village apparatus calculate the cost budget by detailing the unit costs	F	2	2	6	10	12	
		%	6.25	6.25	18.75	31.3	37.5	
		Score	2	4	18	40	60	124
5	Village receipts are deposited into village treasury account by the head of finance	F	0	0	0	16	24	
		%	0	0	0	50	75	
		Score	0	0	0	64	120	184
6	Expenditures on the village budget are carried out based on the village cash budget plan (RAK)	F	0	2	8	18	4	
		%	0	6.25	25	56.3	12.5	
		Score	0	4	24	72	20	120
7	The village head submits a report on the implementation of village budget to the Regent every year	F	0	10	2	16	4	
		%	0	31.25	6.25	50	12.5	
		Score	0	20	6	64	20	110
8	The village head submits reports on the realization of activities to the Regent every semester	F	0	0	10	20	2	
		%	0	0	31.25	62.5	6.25	
		Score	0	0	30	80	10	120

Based on table 3 above, the total score for the seven statements submitted to the respondents is 499. If you look at the provisions that have been made previously, these

TABLE 1: (Continued).

No	Statement Items	F	Answer Choices					Total
9	The village budget realization report is	F	0	0	20	10	2	
	submitted to the Regent through the sub-district head at the end of the	%	0	0	62.5	31.3	6.25	
	activity year	Score	0	0	60	40	10	110
10	Notes on financial reports are reported to the Regent through the sub-district	F	0	2	12	10	8	
	head at the end of each year of activity	%	0	6.25	37.5	31.3	25	
		Score	0	4	36	40	40	120
11	Notes on realization of activities are	F	0	10	7	10	5	
	reported to the Regent through sub- district head at the end of each year of	%	0	31.25	21.88	31.3	15.63	
	activity	Score	0	20	21	40	25	106
12	The village head through the sub-district	F	0	0	6	12	14	
	head reports a list of village sectoral	%	0	0	18.75	37.5	43.75	
	programs a maximum of three months after the end of the fiscal year	Score	0	0	18	48	70	136
13	The village head through the sub-district	F	0	1	10	7	14	
	head reports all programs carried out a maximum of three months after the end	%	0	3.125	31.25	21.9	43.75	
	of the fiscal year	Score	0	2	30	28	70	130
14	The village head through the sub-district	F	0	1	10	9	12	
	head reports village area program a maximum of three months after the end	%	0	3.125	31.25	28.1	37.5	
	of the fiscal year	Score	0	2	30	36	60	128
Total score of financial statement presentation variables		F	2	31	105	176	142	
		Score	2	62	315	704	710	1793

numbers are included in the low range. This means that, overall, in the two villages that were the subjects of the study viewed from the three dimensions of the causes of fraud, in general, there were no potential to commit fraudulent actions. This shows that

TABLE 2: Results of Respondents' Responses of Morality.

No	Statement Items	F	Answer Choices					Total
			5	4	3	2	1	
			TP	P	KD	SR	SL	
1	All activities carried out by the	F	24	8	0	0	0	
	village apparatus are solely out of	%	75	25	0	0	0	
	fear of reprimand	Score	24	16	0	0	0	40
2	I carry out village activities based	F	20	10	2	0	0	
	on personal interests	%	62.5	31.25	6.25	0	0	
		Score	20	20	6	0	0	46
3	I carry out my responsibilities as	F	12	15	5	0	0	
	a village apparatus because I don't	%	37.5	46.88	15.63	0	0	
	want to disappoint anyone	Score	12	30	15	0	0	57
4	I obey the rules so that I can keep	F	10	15	7	0	0	
	my job	%	31.3	46.88	21.88	0	0	
		Score	10	30	21	0	0	61
5	Personal interests are everything	F	13	14	6	0	0	
	compared to group interests	%	40.6	43.75	18.75	0	0	
		Score	13	28	18	0	0	59
6	I always do what I think is right	F	10	10	10	2	0	
	regardless of ethics and rules	%	31.3	31.25	31.25	6.25	0	
		Score	10	20	30	8	0	68
Total score of financial statement presentation variables		F	89	72	30	2	0	
		%	278	225	93.75	6.25	0	
		Score	89	144	90	8	0	331

the management of financial reports in the two villages can be said to be free from the potential for fraud.

6. CONCLUSIONS

Financial management activities in both Karyalaksana Village and Lampegan Village are quite good. The financial presentation has been maximally carried out even though it is not completely perfect. In general, village apparatus have a high level of awareness of

TABLE 3: Responses Respondents to Fraud.

No	Statement Items	F	Answer Choices					Total
			1 T P	2 P	3 KD	4 SR	5 SL	
1	Village apparatus will make improvements to financial statement	F	10	12	8	2	0	
		%	31.3	37.5	25	6.25	0	
	when performance declines	Score	10	24	24	8	0	66
2	I will search for opportunities to get benefit from what I have	F	16	9	7	0	0	
		%	50	28.13	21.88	0	0	
	been working on	Score	16	18	21	0	0	55
3	Village apparatus who commit violation will be given disciplinary action according to the regulations	F	0	2	2	8	20	
		%	0	6.25	6.25	25	62.5	
		Score	0	4	6	32	100	142
4	I can take actions of asset utilization even though there is control	F	14	11	4	2	1	
		%	43.8	34.38	12.5	6.25	3.125	
		Score	14	22	12	8	5	61
5	Sometimes it comes to mind to do things that can benefit myself personally	F	12	10	7	3		
		%	37.5	31.25	21.88	9.38	0	
		Score	12	20	21	12	0	65
6	Sometimes I defend the wrong person for the sake of reputation	F	14	16	2	0	0	
		%	43.8	50	6.25	0	0	
		Score	14	32	6	0	0	52
7	As a village apparatus I don't follow the rules, but that doesn't mean I don't know them	F	13	14	3	2	0	
		%	40.6	43.75	9.375	6.25	0	
		Score	13	28	9	8	0	58
Total score of financial statement presentation variables		F	79	74	33	17	21	
		%	24.7	231.3	103.1	53.1	65.63	

their rights, obligations, responsibilities, and rules. The management of financial reports in Karyalaksana and Lampegan villages is free from potential of fraud. Subjects of this research generally do not have the potential to commit fraud.

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