

Fraud Analysis in Village Financial Management in Sumberberas Village, Muncar District, Banyuwangi Regency

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Abstract

Cases of fraud in village financial management in Indonesia continue to increase in line with the growing allocation of village funds following the enactment of Law Number 6 of 2014, including in Sumberberas Village, Muncar District, Banyuwangi Regency, which once became the focus of public attention regarding alleged irregularities. This study aims to identify the forms of fraud, analyze the causal factors, and evaluate the preventive efforts. The method used is descriptive qualitative, with in-depth interviews involving the Village Head, Village Secretary, Village Treasurer, and Head of the Village Consultative Body (BPD), as well as documentation and observation. The results indicate the presence of fraud in the form of falsification of Payment Request Letters (SPP), non-transparent asset leasing, and diversion of funds to personal accounts. The causal factors, in line with the Fraud Triangle Theory, include pressure (economic needs, consumptive lifestyle), opportunity (weak internal control), and rationalization (justification of wrongdoing). Preventive efforts include transparency, internal supervision, administrative firmness, and complete documentation. The study concludes that fraud arises from a combination of internal and external factors, thereby requiring village governance that is more transparent, accountable, and participatory.

Keywords: *village financial management; fraud; fraud triangle theory; public sector accounting; internal control.*

1. Introduction

Law Number 6 of 2014 grants villages substantial authority to manage funds independently with the aim of improving community welfare. However, the implementation of this policy has in fact given rise to various problems, one of which is the prevalence of fraudulent practices. Indonesia Corruption Watch (ICW) recorded 46 cases of village fund corruption in 2023, a significant increase compared to previous years (Saptohutomo, 2024). In 2021, there were 154 cases with 245 suspects, while in 2022 the number rose to 155 cases with 252 suspects. In 2023, another sharp increase was recorded with 294 suspects (Nasrandi, 2025). Data from the Corruption Eradication Commission (KPK) shows that from 2015 to 2024, there were 851 cases of village fund corruption involving 973 perpetrators, 50% of whom were village heads ("Ratusan Kepala Desa Korupsi Dana Desa Sejak 2015, Masyarakat Perlu Lebih Mengawasi," 2025).

These fraud cases include embezzlement, fictitious reporting, budget mark-ups, and fictitious projects (Alfaruqi & Kristianti, 2019). According to (Uniberua, Stivan Harry :Arens, 2024), fraud is

categorized into three types: (1) financial statement fraud, (2) asset misappropriation, and (3) corruption. The theory often used to explain this phenomenon is Cressey's Fraud Triangle Theory, which emphasizes three causal elements: pressure, opportunity, and rationalization.

Based on a preliminary research survey in Sumberberas Village, Muncar District, Banyuwangi Regency, indications of irregularities in the management of the village budget (APBDes) emerged ("Dugaan Penyelewengan Anggaran Desa Sumberberas Semakin Menggeliat," 2022). Several media reports revealed suspected misappropriation of village funds by certain village officials ("Dugaan Penyimpangan APBDes, Kades Sumberberas Dua Kali Diperiksa Polresta," 2022). Some findings indicated that village funds were transferred to the personal account of the Village Head ("Diperiksa Polresta, Mantan Bendahara Desa Sumberberas Akui Dana PADes Ada Yang Masuk Ke Rekening Kades," 2022).

The community has also actively reported other suspected irregularities to the police, such as the leasing of Village-Owned Land (TKD) and the unclear management of BUMDes funds ("Kasus Dugaan Penyelewengan Anggaran Desa Sumberberas Dilaporkan Warga Ke Polisi," 2022). On the other hand, the Village Secretary admitted that the APBDes accountability report was not completed on time ("Polemik APBDes Sumberberas, Giliran Sekdes Diperiksa Polresta Banyuwangi," 2022). This reflects weak village financial governance and violates administrative regulations requiring periodic reporting as a form of transparency to the community and local government.

These fraud suspicions not only reduce public trust in the village government but also have the potential to hinder development and community empowerment programs. Such conditions highlight weaknesses in the village's internal control system, a lack of transparency, and suboptimal community participation in oversight. Therefore, research on fraud analysis in village financial management in Sumberberas Village is crucial, both as an evaluation tool and as an effort to strengthen accountability in village financial management.

This study differs from previous research. The study by (Mahyus;, Suharman; Lusiono, Eko Febri; Alrizwan, 2021) emphasized the importance of internal control with a quantitative approach, whereas this study employs a qualitative method with primary data obtained through interviews. The research by (Desviana; Basri, 2020) referred to the fraud hexagon with six causative factors, while this study adopts the simpler fraud triangle theory with three key elements: pressure, opportunity, and rationalization. Meanwhile, the study by (Alfaruqi & Kristianti, 2019) found administrative errors and disciplinary violations, which in this study are explored further by adding the aspect of abuse of power by village officials, such as fund transfers to personal accounts.

The novelty of this study lies in its specific focus on Sumberberas Village, which has never been academically studied in the context of fraud in village financial management. This is particularly relevant since the village has been in the public spotlight due to alleged irregularities in APBDes management. Based on this background, the objectives of this study are: (1) to identify the forms of fraud in village financial management in Sumberberas Village, (2) to analyze the contributing factors, and (3) to evaluate the preventive measures taken. This study is important because its findings can strengthen transparency and accountability in the management of village funds, while also serving as a reference for other villages in anticipating fraud.

2. Literature Review

Fraud Triangle Theory

The Fraud Triangle Theory was first introduced by Donald R. Cressey, an American sociologist and criminologist, in the 1950s (Awaliah, 2023). Cressey explained that fraud arises due to three factors: pressure, opportunity, and rationalization. Pressure drives an individual to commit dishonest acts, whether due to financial needs such as debt or social reasons such as maintaining status (Barus & Sinaga, 2023). Opportunity emerges from weak internal control systems that provide individuals with the chance to abuse authority without easily being detected. Rationalization refers to how perpetrators justify their actions to reduce guilt, for instance, by believing that their actions do not harm anyone or by considering what they take as their right.



Source: (Sari & Safitri, 2019)

Public Sector Accounting

According to the American Accounting Association (AAA), accounting is a system that functions to identify, measure, and present reports containing economic data along with their evaluation, with the purpose of systematically and accountably assessing business performance and expenditures (Ki, 2025). Public sector accounting can be defined as accounting related to the management of public funds administered by public organizations rather than private entities. These funds are utilized for public interest and may involve cooperation between the public and private sectors in implementation (Mulyadi et al., 2025).

Village Finance

Based on Minister of Home Affairs Regulation (*Permendagri No. 20 Tahun 2018*, n.d.), village finance encompasses all rights and obligations of the village that can be valued in monetary terms, whether in money or goods, related to the implementation of these rights and obligations. The management of village finances must adhere to the principles of transparency, accountability, participation, as well as orderliness and budget discipline, where the village head acts as the highest authority in financial management.

To ensure well-directed management, the Village Revenue and Expenditure Budget (APBDes) is prepared as the main instrument containing annual revenue, expenditure, and financing plans. The APBDes is jointly discussed by the village government and the Village Consultative Body (BPD) before being ratified as the legal basis for village development implementation. Thus, the APBDes not only reflects the financial position of the village but also represents the direction of village development policies (Lestari et al., 2023).

According to (*Permendagri No. 20 Tahun 2018*, n.d.), the APBDes consists of three main components: revenue (business results, assets, transfers, and other legitimate sources), expenditure (government, development, empowerment, guidance, and unexpected expenses), and financing (SiLPA, reserve fund withdrawals, capital participation, and other expenditures). All elements are organized with account codes to ensure transparency, accountability, and efficiency in village financial management.

Village Financial Management

Village financial management covers all stages starting from planning, implementation, administration, reporting, and accountability. In the planning stage, the village government prepares the Village Development Work Plan (RKP Desa) which serves as the basis for drafting the APBDes. The draft is prepared by the Village Secretary, discussed with the Village Head and BPD, and then evaluated by the Regent/Mayor before being established as a Village Regulation.

The implementation stage is carried out through the village cash account, where the village head appoints activity implementers, and disbursements are made through SPP (Payment Request Letters) verified by the Village Secretary and approved by the Village Head. Next, administration becomes the responsibility of the Finance Officer, who records all transactions in the general cash book and subsidiary books, with monthly reports verified by the Village Secretary.

In the reporting stage, the Village Head must prepare a report on APBDes implementation for the first semester and an activity realization report submitted to the Regent/Mayor through the subdistrict head. Finally, in the accountability stage, the Village Head delivers the APBDes realization report at the end of each fiscal year, no later than three months afterward. This report covers finances, activities, and third-party assistance, and must be made public as a form of transparency.

Supervision of Village Financial Management

Supervision of village financial management aims to ensure that village funds are used transparently, accountably, and in accordance with regulations (Kementerian Dalam Negeri, 2020). Based on Permendagri No. 73 of 2020, supervision is carried out by the subdistrict head, BPD, and the community through village meetings, aspirations, and complaints. A supervisory information system is also implemented to accelerate reporting and strengthen integrated accountability. Thus, supervision is not only the responsibility of the government but also a form of active community participation to ensure that public funds are genuinely used for the welfare of the village. Synergy among stakeholders is key to preventing irregularities and realizing effective village financial governance.

Definition of Fraud

Fraud in finance is an intentional act by individuals or groups to gain personal or collective benefit while harming others, the community, or the state. If it does not violate the law, fraud is categorized as an operational risk, but if it violates the law, it is considered an illegal risk (Mahyus,; Suharman; Lusiono, Eko Febri; Alrizwan, 2021). Coderre (2004) in (Nugrahesthy et al., 2019) emphasized that fraud is usually premeditated, secretive, and aimed at obtaining benefits in the form of money or valuable assets.

According to the Association of Certified Fraud Examiners (ACFE), fraud is an unlawful act committed intentionally by internal or external parties of an organization to manipulate or misreport for personal or group benefit, resulting in harm to others. Elements of fraud include misrepresentation, material misstatement, intentional or reckless actions, specific intent, and the occurrence of loss (Arthana, 2019).

Forms of Fraud

Forms of fraud in financial management can include embezzlement, fictitious reporting, budget mark-ups, and fictitious projects (Alfaruqi & Kristianti, 2019). According to the Association of Certified Fraud Examiners (ACFE), fraud is classified in the fraud tree into three main categories. First, corruption, the misuse of authority for personal gain through practices such as bribery, gratuities, and conflicts of interest, which are often difficult to detect as they involve collusion between parties. Second, asset misappropriation, the unauthorized taking or use of organizational assets, which may seem minor individually but can cause significant losses if repeated. Third, fraudulent statements, manipulation or misrepresentation of financial reports to benefit certain parties (Desviana; Basri, 2020).

3. Research Methods

This study employs a qualitative method with a descriptive approach. Qualitative research was chosen to gain an in-depth understanding of fraud phenomena in village financial management. In this context, the researcher seeks to interpret and explain the forms of fraud, the driving factors, and the preventive efforts in managing village finances.

The research was conducted in Sumberberas Village, Muncar District, Banyuwangi Regency, East Java Province, over six months from March 1 to August 31, 2025. The research site was determined purposively based on local media reports regarding alleged misappropriation of village funds, making it relevant as the object of study.

Data collection techniques included observation to capture factual conditions in the field, semi-structured in-depth interviews with key informants (Village Head, Village Secretary, Village Treasurer, and members of the Village Consultative Body/BPD), and documentation. Informants were selected using purposive sampling based on their knowledge and direct involvement in the management or supervision of village finances. Research data were analyzed using the interactive model of Miles and Huberman through three stages: data reduction to filter relevant information, data presentation in narrative form, and systematic conclusion drawing by testing data consistency to ensure the credibility of the findings.

4. Result and Discussion

Research Object Identity

Sumberberas Village is one of 10 villages in Muncar District, Banyuwangi Regency, with an area of 9.43 km², located about 5 km from the district center and 29 km from the regency center. Administratively, the village borders Kedungebang and Wringinpitu Villages in the south, Wringin Putih in the east, Kedungringin and Tambakrejo in the north, and Plampangrejo in the west.

The village area is divided into two hamlets: Sidomulyo Hamlet with 12 RWs and 72 RTs, and Sumberayu Hamlet with 9 RWs and 50 RTs. Sumberberas Village has a relatively dense population of 19,017 people, consisting of 9,462 males and 9,555 females.

Forms of Fraud in Village Financial Management in Sumberberas Village

a. Forgery of SPP (Payment Request Letter) Document

One of the most serious forms of fraud was the forgery of SPP documents in 2021. This was committed by the former village treasurer by falsifying official documents to withdraw village funds without the knowledge of other village officials. The SPP documents, which should have been signed by four authorized parties—the Village Head, Village Secretary, Treasurer, and Activity Implementer—were discarded after signing and replaced with counterfeit documents made by the treasurer.

This was confirmed by statements from the Village Secretary (S) and the current Village Treasurer (EN). The Village Secretary stated that this fraud occurred due to weaknesses in the monitoring system, lack of vigilance among village officials, and the treasurer's "skill" in manipulating documents. Meanwhile, EN emphasized that this was a betrayal of the treasurer's duty, misusing authority for personal gain. This forgery is considered serious as it involved official village documents, caused state losses, and reflected weak verification and authorization mechanisms in the village's internal control system.

b. Unauthorized Fund Disbursement

Another fraud closely related to document forgery was the disbursement of village funds without following official procedures. According to regulations, every disbursement must be approved and signed by four authorized parties—the Activity Implementer, Village Secretary, Village Head, and Treasurer. However, in practice in 2021, disbursement was carried out solely on the decision of the treasurer with forged documents.

This even reached the disbursement stage at Bank Jatim. Informant EN regretted that the bank allowed the disbursement with only the treasurer's signature and the Village Head's stamp, without verifying other signature specimens. This fraud not only harmed village finances but also tarnished institutional integrity and disrupted financial governance accountability.

c. Manipulation of Financial Reports

Another fraud discovered was the manipulation of financial reports. Informant EN mentioned inconsistencies between the funds disbursed and those reported in the village's financial administration. Reports were also not prepared officially but only provided as

screenshots of the treasurer's personal notes. These data were later retyped by the village operator, although it should have been the treasurer's responsibility.

The operator admitted that the figures presented were inconsistent, unbalanced, and difficult to verify. In addition, accountability reports were often delayed, becoming habitual as stated by a BPD member. Untimely reporting made monitoring difficult to conduct accurately.

d. Fictitious Projects and Budget Mark-Up

Other findings indicated fictitious projects and budget inflation. Informant EN confirmed that some activities were input as though they existed, but the budgeted amount was higher than the actual implementation. Such mark-up practices were intended to obtain personal gain from the unused budget difference.

e. Embezzlement of Physical Project Funds

In addition to mark-up practices, BPD also mentioned cases of embezzlement of physical project funds. For instance, a paving block construction project was carried out in accordance with the RAB (Budget Plan), but payment to the contractor was not made. The funds that should have been paid were unaccounted for and strongly suspected to have been misappropriated by certain village officials. This posed serious consequences for the village government, as the contractor continued to demand payment as per the initial agreement.

f. Non-Transparent Asset Leasing

Based on the researcher's confirmation of reports in local media in 2021, the Village Consultative Body (BPD) acknowledged that there were cases of village asset leasing carried out unilaterally by the Village Head, without deliberation either with BPD or in village forums. As a result, potential Village Original Revenue (PAD) was not officially recorded and was difficult to monitor.

g. Village Original Revenue (PAD) Deposited into Personal Accounts

The final finding was that PAD was deposited into the Village Head's personal account rather than the village treasury account. BPD reported at least two instances where market PAD transfers went directly into the Village Head's personal account. This also occurred with the leasing of village land assets, where rental funds were deposited into a personal account without following official procedures.

The forms of fraud in the financial management of Sumberberas Village are divided into three main categories according to ACFE: fraudulent statements (document forgery, financial report manipulation, fictitious projects, budget mark-up), corruption (unauthorized fund disbursement, embezzlement of physical project funds, receipt of village revenue into personal accounts), and asset misappropriation (non-transparent leasing of village assets). These three categories indicate complex fraud patterns and are in line with the schemes described by Endraria (2024), such as fund diversion, project mark-ups, and non-transparent practices.

Factors Causing Fraud in the Financial Management of Sumberberas Village

a. Lifestyle

One factor that drives irregularities in the financial management of Sumberberas Village is a hedonistic lifestyle and both personal and social pressures. The urge to appear luxurious despite limited official income creates opportunities for fraud, such as document forgery or the misuse of village funds for personal interests. The Village Head stated that a luxurious lifestyle is a suspicious indicator regarding the welfare of village officials, as the mismatch between legitimate income and lifestyle often marks the beginning of irregularities. A similar statement was conveyed by EN, who emphasized lifestyle as a key factor, while S associated irregularities with the demands of a socialite lifestyle.

The Village Consultative Body (BPD) also stressed that a glamorous lifestyle is a major driver of fraud, especially when individuals are unable to adjust their lifestyle to their economic capacity.

Social pressure to appear prosperous increases the temptation to misuse village funds. Thus, lifestyle not only reflects personality but also becomes an indicator of fraud risk, particularly when supervision is weak and individual integrity is low.

This finding is consistent with (Endah et al., 2023), which stated that hedonism can be considered a factor that creates financial pressure on individuals. Such pressure may arise from self-association, social environment, consumerism spread by media, or pressures triggered by top management, clients, or even family and partners. Previous research (Manossoh, 2016) also found similar results, where officials tend to commit fraud when facing financial pressure caused by lavish lifestyles, greed, and family influences, especially when expenses exceed income. In such conditions, village officials tend to seek alternative financing sources, including budget misuse, debt to contractors, or budget misallocation, thus reinforcing the indication that a luxurious lifestyle significantly contributes to fraudulent behavior.

b. Weak Supervision

The control function in the financial management of Sumberberas Village has not been optimally carried out, either by the Village Secretary as an internal verifier or by the BPD as an external supervisor. Internally, monitoring and evaluation mechanisms exist but are not implemented consistently, such as infrequent inspections of the village account. As a result, irregularities cannot be prevented early and are only revealed when inspections are conducted by the Inspectorate. Externally, the BPD only has authority to oversee the Village Head's performance, not the technical work of other officials. This limitation makes supervision reactive rather than preventive. In addition, the lack of deliberation in decision-making often prevents the BPD from accessing information and providing input, further restricting oversight.

Overall, weak internal and external supervision is the main cause of undetected fraud. Inconsistent verification and evaluation, coupled with BPD's limited authority, widen the gap for irregularities. This condition aligns with the Fraud Triangle Theory, particularly the element of opportunity, which explains that fraud occurs when there are loopholes due to weak supervision. This is consistent with (Endraria, 2024), which emphasized that poor oversight of village fund management provides room for fraud. The absence of real-time monitoring and lack of transparency in budget implementation create a vulnerable environment where fraudulent acts can occur without immediate detection or sanction by authorities.

c. Inadequate Financial Management System (Before Siskeudes)

Before the implementation of the Village Financial System (Siskeudes), financial management in Sumberberas Village faced weaknesses in transparency, accountability, and control. The previous system, such as E-Village Budgeting (EVB), could not ensure effective and manipulation-free management. Many transactions were carried out in cash, so revenues and expenditures were not always recorded through the village treasury account. This created loopholes in recording and accountability, thereby increasing the risk of data manipulation.

Moreover, EVB was considered to lack adequate control features, allowing room for manipulation in financial management. In contrast, Siskeudes requires all revenues to be deposited into the village treasury account and is equipped with validation systems, internal controls, and integration with the Village Budget (APBDes). This mechanism provides stronger supervision and limits opportunities for irregularities. Thus, the weak financial management system before Siskeudes created a non-transparent environment, opening opportunities for fraud. The cash-based system previously used did not provide sufficient audit trails, making it highly vulnerable to manipulation.

Previously, villages in Banyuwangi used the e-Village Budgeting (e-VB) application, which had weaknesses in slow validation processes at the subdistrict level, limited and less detailed information access through the Smart Kampung platform, thus hindering transparency and

effective supervision (Prastina et al., 2016). This is consistent with (Manossoh, 2016), who argued that weak systems cause fraud, where weaknesses include failure to implement rules, procedures, and stages properly, as well as the continued use of manual systems that were not fully computerized.

d. Understanding of Regulations by Village Officials

Interviews showed that some Sumberberas Village officials still struggle to understand and comply with current regulations. The Village Head admitted that village officials' understanding of regulations is not yet strong, while the rapid dynamics of regulatory changes pose a major challenge for the village government. This condition makes officials tend to still be learning and not fully trained in implementing regulations, leading to potential administrative or substantive irregularities. This is consistent with (Fatmawati & Putra, 2024), which noted that multi-interpretative and frequently changing regulations make implementation difficult for village governments, highlighting the importance of consistent government guidance and socialization of regulations.

In addition, uneven understanding among officials and permissive attitudes toward forgetfulness or regulatory ignorance demonstrate weak seriousness in enforcing rules. This shows the need for capacity building of human resources, as a lack of understanding of regulations can lead to both administrative and substantive irregularities in village financial management. Within the framework of the Fraud Triangle Theory, this condition can be linked to rationalization, where individuals begin to tolerate or normalize negligence regarding regulations. Although informants did not directly justify irregularities, statements treating forgetfulness as common indicate potential rationalization that may open the door to fraud if not accompanied by sufficient oversight and understanding. (Izzalqurny et al., 2021) emphasized that understanding and implementing internal control systems by village officials is crucial to prevent fraud and achieve good village governance. An effective system will enhance accountability and public trust.

e. Human Error

In village financial management, S mentioned that not all errors are caused by intentional fraud. Some arise from human factors (human error), such as negligence, inaccuracy, or unintentional mistakes. While such errors are natural, if not addressed through supervision systems and capacity building, they can develop into recurring mistakes that harm village finances. Therefore, it is important to distinguish between genuine mistakes due to negligence and deliberate fraud.

(Alfaruqi & Kristianti, 2019) found that one potential for fraud arises from negligence unintentionally committed by village officials, yet still causing losses to other parties. From the Fraud Triangle Theory perspective, human error can fall into two elements: rationalization and opportunity. Justifying mistakes as normal reflects rationalization that reduces individuals' sense of responsibility for the consequences. Meanwhile, if these mistakes are not promptly addressed through supervision and capacity building, opportunities for recurring errors may arise and even escalate into fraudulent practices.

This finding is consistent with (Saviera & Johannes, 2023), which showed that certain personality traits such as neuroticism and extraversion are positively correlated with fraudulent behavior, meaning internal individual aspects can drive irregularities, even when initially unintentional. Thus, human error in village financial management should not be viewed merely as a technical issue, but also as a potential starting point for fraud if not systematically anticipated through supervision and character development of village officials.

Fraud Prevention Efforts in Village Financial Management in Sumberberas Village

a. Internal Improvement through Lifestyle Control

Fraud prevention in village financial management is not only carried out through administrative aspects but also through internal improvement that begins with the personal awareness of village officials. The Village Head of Sumberberas emphasized that a consumptive lifestyle inconsistent with one's financial capacity often triggers misconduct. A forced luxurious lifestyle may create financial pressure, thus opening opportunities for fraud. As part of supervision, the Village Head monitors the lifestyle of village officials to ensure no suspicious consumptive behavior is present. This control aims to foster awareness so that each official lives within their means and upholds integrity in managing village finances.

This highlights the importance of individual integrity in fraud prevention. Supervision that touches not only administrative aspects but also personal behavior, such as lifestyle, is expected to instill awareness among village officials to live accordingly and maintain trust in financial management. This is consistent with the findings of (Fitriana & Suwandi, 2023), which state that individual morality has a significant influence on preventing fraud in village fund management.

b. Capacity Building of Village Officials through Technical Guidance

The Sumberberas Village Government prevents fraud in financial management by improving the competence of village officials. One strategic step is the organization of technical guidance facilitated by the Inspectorate and the Office of Community and Village Empowerment (DPMD). This aims to enhance officials' understanding of procedures, rules, and regulations while strengthening technical capacity in administration, record-keeping, and financial reporting. Technical guidance is provided not only to village officials as implementers but also involves the Village Consultative Body (BPD) to strengthen its oversight function and partnership with the village head.

Thus, capacity building through training becomes a non-structural preventive measure focused on strengthening knowledge and skills, creating accountable financial management with minimal fraud risk. Research by (Natariasari et al., 2023) shows that technical guidance in preparing cash books and cash flow statements at the village level effectively helps officials understand practical accounting processes. This is further reinforced by (Bosko & Temu, 2024), who reveal that officials' competence significantly influences fraud prevention, as those with sufficient knowledge, skills, and regulatory understanding tend to manage village funds more accountably and efficiently.

c. Strengthening Financial Management Systems through Digitalization and Cashless Transactions

Sumberberas Village has strengthened financial governance through the implementation of the Village Financial System (Siskeudes) application and cashless transactions integrated with Bank Jatim. This digitalization ensures all transactions are recorded electronically, well-documented, and traceable in real time. The system reduces opportunities for fraud, especially regarding fictitious expenditures or manipulation of supporting documents. The Village Head stressed that digital systems impose strict limitations on manipulative actions, although fraud could still occur through collusion with contractors. However, stricter and layered disbursement mechanisms make such risks harder to execute. The BPD also benefits from this system, as it facilitates more effective monitoring.

Thus, the implementation of Siskeudes and cashless transactions is not merely a technical instrument but part of broader governance reform toward transparency, accountability, and anti-corruption. Digitalization reduces direct contact in financial processes while narrowing the space for collusion and fraud. This aligns with (Kusumawati et al., 2025), who highlight that digitalization in village financial management enhances accountability and transparency through systematic, real-time, and electronic records, enabling easier oversight, reducing fraud potential, and increasing compliance with regulations.

d. Implementation of Transparency Principles in Village Financial Management

The Sumberberas Village Government emphasizes transparency in financial management by making budget planning and execution open to the public. A tangible form of this is the

installation of an APBDes banner in front of the village office, displaying details of fund allocations for the year. This ensures that the community is aware of budget allocation and facilitates direct public oversight.

Additionally, the village government uses digital platforms such as WhatsApp, Facebook, and TikTok to disseminate information and document development activities. Through official accounts, officials regularly share visual reports of progress, ranging from infrastructure improvements to community service activities. This innovation not only strengthens public accountability but also enhances youth participation in monitoring and supporting village development.

This effort is consistent with (Aulia et al., 2023), who found that transparency significantly affects fraud prevention in village fund management, as openness makes deception more difficult and accountability stronger. Transparent governance, such as community involvement in village development planning forums (*musrenbangdes*), fosters positive relationships and increases financial management effectiveness.

e. Strengthening Communication and Internal Supervision among Village Officials

Strengthening communication and internal supervision among village officials is vital to fraud prevention. Interviews revealed awareness of the importance of caution, openness, and consultation in every stage of financial management. Intensive communication is carried out not only within the village apparatus but also with external parties such as the Inspectorate and DPMD to reinforce accountability. Moreover, peer-to-peer oversight among officials creates an effective horizontal monitoring mechanism. For instance, the planning and finance staff conduct reciprocal checks during task implementation. A work culture that emphasizes discussion, joint evaluation, and mutual reminders reflects collective responsibility.

Thus, strong communication and embedded internal supervision play a key role in building more transparent, integrity-based, and fraud-resistant financial governance. This is supported by (Sarmigi et al., 2023), who found that effective internal controls significantly reduce the likelihood of fraud in village financial management.

f. Strengthening the Supervisory Role of BPD

To prevent and minimize fraud, the Village Consultative Body (BPD) in Sumberberas carries out supervisory functions by issuing early warnings and reprimands for indications of misconduct by the village head or officials. This preventive action ensures that potential violations do not escalate into more serious misconduct. Furthermore, BPD strengthens its role by tightening supervision and evaluating work mechanisms to maximize oversight.

This effort demonstrates that the BPD's role is not merely formal but serves as a crucial social and structural control mechanism in creating accountable financial governance free from misappropriation. This is in line with (Pujyanto et al., 2023), who state that direct oversight by BPD is essential to prevent budget misuse.

g. Compliance with Administrative Documentation

A preventive measure in fraud prevention in Sumberberas Village is ensuring all activities are supported by complete and timely documentation. The village head emphasized that each activity must be reported through accountability reports (SPJ) no later than one week after implementation, allowing faster reporting and reducing opportunities for manipulation. Activities involving the community, such as cash assistance distribution, must also be documented with authentic evidence, including invitations, attendance lists, minutes, and detailed records. Compliance with documentation requirements forms a crucial part of the village's internal control system, minimizing fabricated reports, data manipulation, and fictitious claims.

Thus, each activity can be accounted for clearly, measurably, and responsibly. This aligns with (Saida et al., 2023), who found that compliance in financial reporting significantly reduces the likelihood of fraud in village fund management.

5. Conclusion

This study found that financial management in Sumberberas Village still faces various forms of fraud, including falsification of payment request documents (SPP), unauthorized fund disbursement, manipulation of financial reports, fictitious projects, budget inflation, embezzlement of physical project funds, non-transparent leasing of village assets, and the transfer of locally generated revenue (PAD) into personal accounts. These practices fall into the three categories of fraud according to the fraud tree, namely corruption, asset misappropriation, and fraudulent statements.

Such fraudulent practices are influenced by several factors, including the luxurious lifestyle of village officials, weak internal and external supervision, a suboptimal financial system prior to the implementation of Siskeudes, limited understanding of regulations among village officials, and human error due to negligence. These factors align with the Fraud Triangle Theory, which emphasizes the role of pressure, opportunity, and rationalization in the occurrence of fraud.

As preventive measures, the Sumberberas Village Government has monitored the lifestyle of village officials, conducted regular technical training, implemented financial digitalization through the Siskeudes application and cashless transactions, and strengthened public transparency through APBDes information boards and social media platforms. In addition, internal communication and the supervisory role of the Village Consultative Body (BPD) have been reinforced, accompanied by strict adherence to administrative compliance. These efforts reflect the village's commitment to achieving financial management that is more accountable, transparent, and resistant to potential fraud.

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