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The Effect Of Morality And Internal Control Systems On The Prevention Of Fraud In Village Management And Village-Owned Enterprises In Moyo Hulu District

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Abstract

This study aims to analyze the influence of individual morality and internal control systems on fraud prevention at Village-Owned Enterprises (BUMDes) in Moyo Hulu Subdistrict. This is a quantitative study using an associative method. The study was conducted at 12 BUMDes with 36 respondents, consisting of chairpersons, secretaries, and treasurers. The sampling technique used was purposive sampling. The data used were primary data obtained through a questionnaire using a Likert scale. Data analysis employed multiple linear regression using SPSS version 26. The results indicate that individual morality and internal control systems each have a significant effect on fraud prevention. Simultaneously, both variables also have a significant effect on fraud prevention. The coefficient of determination indicates that the independent variables account for 32.5% of the variation in fraud prevention, while the remainder is influenced by other variables outside the scope of this study.

Keywords: Individual Morality, Internal Control System, Fraud Prevention, BUMDes.

INTRODUCTION

Rural development plays a crucial role in the context of national development because it covers the largest portion of the national territory. Approximately 70% of Indonesia's population resides in rural areas (Rahardjo, 2023). Since its inception in 2015,

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the Village Fund program has become one of the central government's strategic policies in promoting development and empowering rural communities. To date, the allocation of Village Fund disbursements has continued to increase annually. The following is a breakdown of village fund transfers from the central government to local governments.

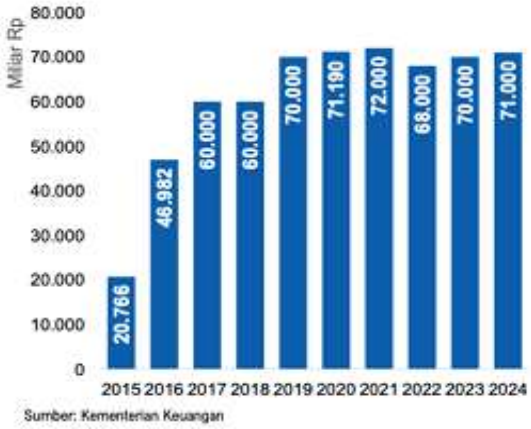


Figure 1: Graph Showing the Growth of Village Funds

In Figure 1 above, we can see that the allocation of Village Funds has continued to increase since it was first implemented in 2015. However, in 2022, the allocation of Village Funds saw a slight decrease to Rp 68 trillion. This was due to changes in fiscal policy and budget priorities resulting from the impact of the COVID-19 pandemic, which affected the structure of government fund allocations. Nevertheless, in 2023, the budget increased again to Rp 70 trillion and remained around Rp 71 trillion in 2024. The increase in the Village Fund demonstrates the government's commitment to supporting village development, including infrastructure, community economic empowerment, and improving the quality of life in rural areas (Ministry of Finance Data, 2024).

Regulation of the Minister of Villages, Disadvantaged Regions, and Transmigration of the Republic of Indonesia Number 13 of 2023 highlights key aspects of the utilization of these funds. Priority areas for the use of the Village Fund include addressing extreme poverty, food and livestock security, reducing stunting, and developing priority sectors in villages through capital assistance. This demonstrates the government's commitment to driving local economic growth by giving special attention to initiatives that advance the well-being of village communities (Updesa.Com, accessed on April 17, 2026).

Village governments have long sought to strengthen the economic foundation of rural areas through various programs. However, the results have not been as satisfactory

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as hoped. Therefore, the government has adopted an approach designed to stimulate and boost the local economy. One such effort involves promoting village economic growth through entrepreneurship facilitated by Village-Owned Enterprises (BUMDes), which will be developed by both the government and the community.

According to data from the Ministry of Villages, the number of Village-Owned Enterprises (BUMDes) nationwide has reached 59,635 units (Kemendesa.go.id 2023). This figure indicates a significant increase in the establishment of BUMDes across Indonesia, reflecting the commitment of the government and village communities to leverage local potential to improve the well-being of rural communities. The existence of Village-Owned Enterprises (BUMDes) is certainly a source of hope for many community members and stakeholders in efforts to improve the welfare and economic self-reliance of villages. BUMDes are expected to serve as the driving force behind the village economy and contribute positively to national development.

The government's efforts to optimize the management of BUMDes are indeed crucial, but on the other hand, they can also give rise to a trend of fraud that still occurs frequently. In the management of BUMDes funds, cases of fraud such as the alleged misuse of funds for personal gain often occur. Fraud is an act committed intentionally by an individual or group that impacts financial reports and may result in losses for the entity or other parties. The Corruption Perceptions Index (CPI) in Transparency International's report indicates that Indonesia continues to face serious challenges in combating corruption. In 2023, Indonesia scored 34 out of 100 and ranked 115th out of 180 surveyed countries. A low CPI score reflects low public confidence in the government's ability to address corruption. This can reduce public participation in government programs and lower compliance with regulations (CPI, 2023).

This study was conducted in Moyo Hulu Subdistrict, Sumbawa Regency, West Nusa Tenggara Province. Moyo Hulu Subdistrict was selected as the research location because it was found that the managers of BUMDes funds did not fully understand the nature of BUMDes itself. Most of the BUMDes in Moyo Hulu Subdistrict focus solely on savings and loan operations. However, Law No. 6 of 2014 on villages, which serves as the legal basis for establishing BUMDes, states that villages are encouraged to establish business entities to meet community needs particularly basic necessities and to ensure the availability of human resources capable of managing these entities as drivers of the local economy. Consequently, many villages have failed to implement their programs in accordance with regulatory mandates. This situation makes them vulnerable to misuse of funds. One instance of fraud in Moyo Hulu Subdistrict is as follows

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Table 1: Fraud Incidents in Moyo Hulu Subdistrict

No	Phenomenon	Loss Amount (IDR)	Data Source	Download Date
1	Court Sentences BUMDes Treasurer in Sumbawa to 7 Years in Prison	3.1 M	https://mataram.antaranews.com/berita/376579/pengadilan-vonis-bendahara-bumdes-di-sumbawa-7-tahun-penjara	April, 17 2026

Source : Kompas.com (2024)

Based on the table above and the trial facts reported by ANTARA News, KUR funds were disbursed through the Sahabat Semamung Village-Owned Enterprise (BUMDes), with a total disbursement of Rp 3.1 billion allocated to 59 farmers in three villages in the Moyo Hulu subdistrict. However, in practice, the credit application process was initiated by the BUMDes treasurer under a scheme of Rp 50 million per farmer. Court findings revealed that the amount of funds received by each farmer did not match the initial application amount. The farmers only received approximately Rp 5 million per person, far below the amount applied for. It is this discrepancy between the applied-for funds and the funds received that subsequently resulted in state financial losses amounting to Rp 3.1 billion (AntaraNTB. Accessed April 17, 2026).

This phenomenon indicates the existence of manipulative practices in the fund disbursement process, which can be categorized as fraud, specifically in the form of abuse of authority and embezzlement. This case also highlights the weakness of the verification and oversight systems in the distribution of KUR through BUMDes, thereby creating opportunities for certain individuals to exploit these loopholes. Furthermore, this situation reflects that transparency toward beneficiaries remains very low. Farmers, who should be the primary recipients, are not receiving their full entitlements. This not only harms state finances,, but has also led to a decline in public trust in government programs and village institutions.

Village-Owned Enterprises (BUMDes) in Sumbawa Regency, particularly in Moyo Hulu Subdistrict, play a crucial role in efforts to improve the welfare of rural communities through the management of local resources and the development of the village economy. However, the performance of BUMDes has not yet fully met expectations. BUMDes are expected to serve as transparent and accountable drivers of the village economy; however, in reality, numerous challenges hinder the achievement of these goals. Several

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factors, both internal and external, have contributed to this situation. Internal factors primarily relate to the ethics and conduct of BUMDes management. Weaknesses in individual ethics among the managers often result in unprofessional and non-transparent management. This factor is influenced by opportunities for misconduct due to weak oversight systems, economic pressures, and personal demands that tempt managers to misuse BUMDes funds for personal gain. Consequently, in this situation, BUMDes managers feel entitled to use these funds, especially since they are not strictly monitored.

Research on individual morality has been conducted by Hariawan et al. (2020), Wahyudi et al. (2021), Aprilia et al. (2021), Laksmi et al. (2019), Dewi et al. (2022), and Islamiyah et al. (2020). These studies found that individual morality has a positive and significant influence on fraud prevention. These results align with the research by Yusuf et al. (2021), which states that the higher an individual's morality, the greater the prevention of fraud. A person with good morals will not commit acts that could harm others, society, or the state. Village officials with good morals will certainly not abuse the trust entrusted to them by the government (Rizqi et al., 2025). However, these findings contradict the research conducted by Suandewi (2021), which found that morality does not have a significant effect on fraud prevention in village fund management.

Research conducted by Wardana (2017) shows that internal control systems have a positive and significant effect on fraud prevention. As the quality of internal control systems improves, so does the effectiveness of fraud prevention. Sempana (2015) also states that a sound internal control system enhances the prevention of fraudulent acts. There are five indicators of internal control systems based on the concepts of Fahreza et al. (2022) and Romadaniati et al. (2020), namely the control environment, risk assessment, control activities, information and communication, and monitoring activities.

This study contradicts the research conducted by Kivaayatul et al. (2022), which states that a good internal control system will not function if there is no cooperation from all parties to implement the internal control system. This is consistent with research conducted by Mufidah et al. (2018) and Atikah (2017), who stated that internal control has no effect on the prevention of fraud.

Previous research has shown inconsistent results in measuring the effectiveness of internal control systems and the integrity of BUMDes managers in preventing fraud. This may be due to differences in location, time, and the data collection methods used. These inconsistencies create an opportunity to explore moderating factors such as internal locus of control, which can provide a more comprehensive explanation for these differences in results.

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This study is based on the Fraud Triangle Theory (Skousen, Smith, and Wright: 2009) and Agency Theory (Jensen & Mecking, 1976). The Fraud Triangle Theory explains that there are three factors causing fraud: rationalization, opportunity, and pressure. Rationalization is a condition in which ethical values encourage the occurrence of fraud. Pressure is an individual's motivation to commit fraud due to financial or non-financial pressures from either personal or organizational sources. Opportunity is the likelihood of fraud occurring due to weak or ineffective controls, thereby creating an opening for fraud to take place. (Skousen, Smith, and Wright: 2009).

Next is agency theory. Agency theory explains the relationship between an agent and a principal. Agency theory highlights the separation of corporate ownership and responsibility for decision-making. In the concept of agency theory, management, as the agent, is supposed to act in the best interests of the shareholders; however, it is possible that management prioritizes its own interests to maximize utility. Management may take actions that are not beneficial to the company as a whole, which in the long term could harm the company's interests.

The novelty of this study compared to previous research lies in its specific focus on the management of BUMDes funds in Moyo Hulu Subdistrict. To date, there has been little to no research directly examining BUMDes financial management practices in this region, particularly in the context of potential fraud.

Most previous studies have generally addressed the management of village funds in a broad sense, covering aspects ranging from planning and implementation to accountability for the village budget. However, these studies remain general in nature and have not yet provided an in-depth examination of financial management within village business units such as BUMDes, which possess distinct characteristics due to their dual focus on business activities and public services.

This study aims to address this gap by focusing on how BUMDes funds are managed, including internal control mechanisms, transparency, and the potential for fraud. Additionally, this study is grounded in empirical observations from Moyo Hulu Subdistrict, providing a concrete picture of the challenges faced on the ground.

THEORETICAL FRAMEWORK

Fraud Triangle

The concept of the Fraud Triangle was proposed by Donald R. Cressey (1953), who explained that fraud occurs due to three main elements: pressure, opportunity, and rationalization. Pressure is the driving force that compels an individual to commit fraud,

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such as financial problems or economic demands. Opportunity arises due to weak internal control systems, which allow for irregularities to occur. Meanwhile, rationalization is the justification provided by the perpetrator for the fraudulent act committed. Thus, these three elements are the primary factors causing fraud and must be minimized in financial management, including at BUMDes.

Agency Theory

Agency theory was proposed by Jensen and Meckling (1976) to explain the relationship between the principal (owner) and the agent (manager). In the context of BUMDes, the community and the village government act as the principal, while the BUMDes manager acts as the agent. Problems arise when there is a conflict of interest between the principal and the agent, which can trigger opportunistic actions such as fraud. Therefore, effective oversight and control systems are necessary to minimize such conflicts.

Individual Morality

Morality refers to the ethical values that guide an individual's actions, such as honesty, responsibility, and integrity (Yusuf, 2021). High moral standards encourage individuals to act in accordance with norms and avoid deviant behavior. In the management of village-owned enterprises (BUMDes), morality plays a crucial role in preventing fraud, as individuals with high moral standards are less likely to engage in fraudulent behavior even when given the opportunity.

Internal Control System (ICS)

An internal control system is a process designed to provide reasonable assurance regarding the achievement of organizational objectives, particularly in ensuring the reliability of financial reports and compliance with regulations (Dewi, 2022). According to COSO, an internal control system consists of five components: control environment, risk assessment, control activities, information and communication, and monitoring. The effective implementation of an ICS can reduce the likelihood of fraud, as it narrows opportunities and enhances oversight in the financial management of BUMDes.

Fraud Prevention

Fraud prevention refers to efforts made to avoid or minimize the occurrence of fraudulent acts within an organization (Laksmi, 2019). Such prevention is essential to

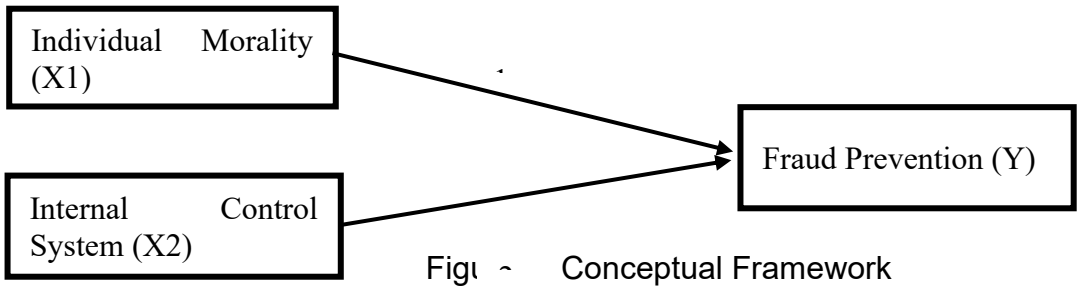
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minimize losses both financial and non-financial and to maintain public trust. According to the Association of Certified Fraud Examiners, fraud prevention can be achieved through the implementation of effective internal control systems, enhanced ethical awareness, and continuous monitoring. These steps aim to close opportunities for fraud while strengthening integrity within the organization. In the context of BUMDes management, fraud prevention can be achieved through increased transparency, accountability, and compliance with applicable procedures. Additionally, strengthening individual integrity and implementing a robust internal control system are key factors in preventing fraud.

FRAMEWORK

The framework of this study is based on Donald R. Cressey's Fraud Triangle concept, which states that fraud occurs due to the presence of pressure, opportunity, and rationalization. In this study, morality plays a role in reducing rationalization, so that individuals with high moral standards are less likely to commit fraud. Meanwhile, the internal control system (ICS) serves to minimize the opportunity for fraud through effective oversight and control. Thus, the higher the moral integrity and the better the internal control system, the more effective fraud prevention will be in the management of BUMDes in Moyo Hulu Subdistrict. The following is the conceptual framework of this study:



Figu - Conceptual Framework

HYPOTHESIS

Based on the conceptual framework outlined above, the hypotheses for this study are as follows:

H1: Morality has a positive effect on fraud prevention in the management of village-owned enterprises (BUMDes) in Moyo Hulu Subdistrict.

H2: Internal control systems have a positive effect on fraud prevention in the management of village-owned enterprises (BUMDes) in Moyo Hulu Subdistrict.

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RESEARCH METHODOLOGY

This study employs a quantitative approach using an associative method, aimed at analyzing the influence of morality and internal control systems on fraud prevention in the management of Village-Owned Enterprises (BUMDes) in Moyo Hulu Subdistrict. This approach was chosen because it allows for the objective testing of relationships between variables through statistical analysis.

The study was conducted at 12 BUMDes located in Moyo Hulu Subdistrict, namely BUMDes Ai Muncar (Pernek Village), Sumber Rezeki (Mokong Village), Sahabat (Semamung Village), Cahaya Raboran (Sebasang Village), Mampis Rungan (Marga Karya Village), Tunas Muda (Maman Village), La Bulan (Batu Bulan Village), Amanah (Berang Rea Village), Buin Mata (Lito Village), Bunga Kemiri (Sempe Village), and Batu Peti (Batu Tering Village).

The population in this study consists of all BUMDes managers in Moyo Hulu Subdistrict. The sampling technique employed a purposive sampling method, with respondents selected based on their direct involvement in BUMDes financial management, specifically the head (chairperson), secretary, and treasurer. Consequently, the number of respondents in this study is 3 individuals from each BUMDes, resulting in a total of 36 respondents.

The data used consisted of primary data obtained through the distribution of questionnaires to respondents. Data collection was conducted via a questionnaire using a 1–5 Likert scale to measure the variables of ethics, internal control systems, and fraud prevention.

Data analysis was conducted in several stages, namely data quality testing (validity and reliability), testing of classical assumptions (normality, multicollinearity, and heteroscedasticity), and multiple linear regression analysis to test the effect of independent variables on the dependent variable.

Hypothesis testing was performed using the t-test to determine partial effects, the F-test to determine simultaneous effects, and the coefficient of determination (R^2) to measure the extent of the contribution of morality and internal control systems to fraud prevention. The analysis tool used was SPSS Version 26.

RESULTS AND DISCUSSION

Questionnaire Distribution

This study used a questionnaire as the primary instrument for data collection. The questionnaire was distributed to the designated respondents, namely the managers and

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employees of village-owned enterprises (BUMDes) in Moyo Hulu Subdistrict. The following table shows the distribution of the questionnaire in this study:

Table 2 Questionnaire Distribution

Description	Total
Questionnaires distributed	36
Questionnaires returned	36
Questionnaires not returned	0
Return rate	100 %

Source: Processed data (2026)

Based on Table 2 above, a total of 36 questionnaires were distributed in this study, targeting managers and employees of Village-Owned Enterprises (BUMDes) in Moyo Hulu Subdistrict. Moyo Hulu Subdistrict consists of 12 villages/BUMDes, so each BUMDes was represented by three respondents: the chairperson, secretary, and treasurer. Of all the questionnaires distributed, 36 were successfully returned, resulting in a 100% response rate. This indicates that all respondents participated fully in completing the questionnaires. No questionnaires were missing or unusable. All returned questionnaires were deemed complete and suitable for use in further research data analysis.

Data Quality Tests

1. **Validity Test**

Tabel 3 Validity Test

Variable	Item	Rtable	Rcalc	Notes
Individual Morality (X1)	X1.1	0.2785	0,685	Valid
	X1.2	0.2785	0,686	Valid
	X1.3	0.2785	0,910	Valid
	X1.4	0.2785	0,776	Valid
	X1.5	0.2785	0,803	Valid
	X1.6	0.2785	0,733	Valid
Internal Control System (X2)	X2.1	0.2785	0,830	Valid
	X2.2	0.2785	0,885	Valid
	X2.3	0.2785	0,835	Valid

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	X2.4	0.2785	0,834	Valid
	X2.5	0.2785	0,782	Valid
	X2.6	0.2785	0,790	Valid
	X2.7	0.2785	0,822	Valid
	X2.8	0.2785	0,742	Valid
	X2.9	0.2785	0,832	Valid
	X2.10	0.2785	0,681	Valid
Fraud Prevention (Y)	Y.1	0.2785	0,800	Valid
	Y.2	0.2785	0,682	Valid
	Y.3	0.2785	0,639	Valid
	Y.4	0.2785	0,890	Valid
	Y.5	0.2785	0,675	Valid
	Y.6	0.2785	0,911	Valid
	Y.7	0.2785	0,911	Valid
	Y.8	0.2785	0,625	Valid

Sourch: SPSS Version 2026

Table 3 above shows that all items in the Individual Morality (X1), Internal Control System (X2), and Fraud Prevention (Y) scales were found to be valid, as evidenced by the calculated R value (0.2785) exceeding the critical R value of 0.2785. The critical R value of 0.2785 was obtained from a sample size of N=36.

2. Reliability Test

Table 4 Reliability Test

No	Item	Criteion	*Cronbach's Alpha*	Notes
1	Individual Morality (X1)	0,6	0,858	Reliabel
2	Internal Control System (X2)	0,6	0,938	Reliabel
3	Fraud Prevention (Y)	0,6	0,898	Reliabel

Source : SPSS Version 2026

Table 4 above shows that all items in the Individual Morality (X1), Internal Control System (X2), and Fraud Prevention (Y) scales were deemed reliable because their Cronbach's alpha values were greater than 0.6.

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Test of Classical Assumptions

1. **Normality Test**

Table 5 Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		36
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	5,49725817
Most Extreme Differences	Absolute	0,176
	Positive	0,105
	Negative	-0,176
Test Statistic		0,176
Asymp. Sig. (2-tailed)		,200[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source : SPSS Version 2026

Based on Table 5 above, the results of the normality test using the Kolmogorov-Smirnov method specifically for Individual Morality (X1), Internal Control System (X2), and Fraud Prevention (Y) show a significance value of 0.200, which is greater than 0.05; therefore, it can be concluded that

2. **Multicollinearity Test**

Table 6 Multicollinearity Test

Variable	Criterion	TOL	Criterion	VIF	Notes
Individual Morality (X1)	0,1	0,852	10	1,174	No Multicollinearity
Internal Control System (X2)	0,1	0,852	10	1,174	No Multicollinearity

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Fraud Prevention (Y)	0,1	0,852	10	1,174	No Multicollinearity

Sumber : SPSS Versi 2026

Based on Table 6 above, the variables Individual Morality (X1), Internal Control System (X2), and Fraud Prevention (Y) have Tolerance values greater than 0.1 and all VIF values less than 10; therefore, it can be concluded that there is no multicollinearity that is, no correlation among the independent variables in this regression model.

3. Heteroscedasticity Test

Table 7 Heteroscedasticity Test

Variable	Criteria	Sig	Notes
Individual Morality (X1)	0,05	0,047	No Heteroscedasticity
Internal Control System (X2)	0,05	0,025	No Heteroscedasticity

Source : SPSS Version 2026

Based on Table 7 above, the significance values for the variables Individual Morality (X1) and Internal Control System (X2) are greater than 0.05; therefore, it can be concluded that there is no heteroscedasticity.

Multiple Linear Regression Analysis

Table 8 Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10,720	5,196		2,063	,047
	X1	,447	,217	,320	2,065	,047
	X2	,266	,113	,364	2,350	,025
a. Dependent Variable: Y						

Source : SPSS Version 2026

Based on Table 8 above, the multiple regression equation can be formulated as follows:

$$Y = 10,720 + 0,447(X1) + 0,266(X2) + e$$

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1) The constant value of 10.720 indicates that if the variables Individual Morality (X1) and Internal Control System (X2) are considered nonexistent or equal to zero, the level of Fraud Prevention remains at 10.720. This indicates that there are other factors outside the model that can also influence fraud prevention efforts, such as organizational culture, external oversight, or financial statement transparency..
2) The regression coefficient for Individual Morality (X1) of 0.447 indicates that a one-unit increase in individual morality will increase Fraud Prevention by 0.447 units, assuming all other variables remain constant. A significance value of 0.047 (< 0.05) indicates that this effect is statistically significant. This means that individual morality plays a crucial role in preventing fraud in the management of BUMDes. This suggests that the higher the integrity, honesty, and sense of responsibility of individual BUMDes managers, the stronger the efforts to prevent fraud. Individuals with strong moral character are less likely to manipulate financial reports and are more committed to maintaining public trust.
3) The regression coefficient for the Internal Control System (X2) of 0.266 indicates that a one-unit increase in the internal control system will increase Fraud Prevention by 0.266 units, assuming all other variables remain constant. A significance value of 0.025 (< 0.05) indicates that this effect is statistically significant. This means that internal control systems play a crucial role in preventing fraud within BUMDes. Effective internal control systems, such as segregation of duties, transaction authorization, and strict oversight, can minimize the likelihood of fraud. Thus, the more effective the internal control system implemented, the stronger the fraud prevention measures that can be achieved.

Hypothesis Testing

1. T-Test

Table 9 T-Test

Variable	Thitung	Ttabel	Sig	Notes
Moralitas Individu (X1)	2,065	2,028	0,047	The hypothesis is accepted
Sistem Pengendalian Internal (X2)	2,350	2,028	0,025	The hypothesis is accepted

Source: SPSS Version 2026

Based on Table 9 above, the results of the (partial) t-test in the table can be discussed as follows:

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1) **The Effect of Individual Morality (X1) on Fraud Prevention**

The results of the t-test show that the Individual Morality variable (X1) has a calculated t-value of 2.065, while the critical t-value is 2.028, with a significance level of 0.047 (< 0.05). Since the calculated t-value is greater than the critical t-value and the significance level is less than 0.05, it can be concluded that H0 is rejected and H1 is accepted, meaning that Individual Morality has a significant effect on Fraud Prevention. This indicates that individual morality plays a crucial role in preventing fraud in the management of BUMDes. The higher the level of morality possessed by managers such as honesty, responsibility, and integrity the stronger the fraud prevention efforts become. Individuals with strong moral character are less likely to abuse their authority and are more cautious when preparing financial reports, thereby minimizing the risk of fraud.

2) **The Effect of the Internal Control System (X2) on Fraud Prevention**

The results of the t-test show that the Internal Control System variable (X2) has a calculated t-value of 2.350, while the critical t-value is 2.028 with a significance level of 0.025 (< 0.05). Since the calculated t-value is greater than the critical t-value and the significance level is less than 0.05, it can be concluded that H0 is rejected and Ha is accepted, meaning that the Internal Control System has a significant effect on Fraud Prevention. This indicates that the implementation of a good internal control system plays a crucial role in preventing fraud. An effective internal control system, such as the separation of duties, authorization procedures, and strict supervision, can reduce the likelihood of fraud. Thus, the better the internal control system implemented in BUMDes, the lower the potential for fraud.

2. F-Test

Table 10 F-Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	509,055	2	254,528	7,941	,002b
	Residual	1057,695	33	32,051		
	Total	1566,750	35			

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a. Dependent Variable: Y
b. Predictors: (Constant), X2, X1

Source : SPSS Version 2026

Based on Table 10 above, the ANOVA test results yielded an F-calculated value of 7.941 with a significance level of 0.002. Meanwhile, the F-table value (at df1 = 2 and df2 = 33) is approximately 3.28. Thus, it can be seen that Fcalculated > Ftable (7.941 > 3.28) and the significance value of 0.002 < 0.05. These results indicate that, simultaneously or collectively, the variables Individual Morality (X1) and Internal Control System (X2) have a significant effect on Fraud Prevention (Y). This means the regression model used in this study is appropriate (fits) to explain the relationship between the independent and dependent variables. In other words, changes in fraud prevention are not influenced by a single variable alone, but are jointly influenced by individual morality and the internal control system. The Sum of Squares Regression value of 509.055 indicates the extent of variation in fraud prevention that can be explained by the two independent variables in the model. Meanwhile, the residual value of 1057.695 indicates variation that is still influenced by other factors outside the scope of this study.

3. Test of the Coefficient of Determination

Table 11 Test of the Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,570a	,325	,284	5,66139
a. Predictors: (Constant), X2, X1				

Source : SPSS Version 2026

Based on the Model Summary results in the table above, the R-squared value is 0.325 and the adjusted R-squared is 0.284, with a standard error of the estimate of 5.66139. The R-Square value of 0.325 indicates that the variables Individual Morality (X1) and Internal Control System (X2) can explain 32.5% of the variation in Fraud Prevention (Y). This means that 32.5% of the variation in fraud prevention can be explained by these two independent variables. Meanwhile, the remaining 67.5% is influenced by other

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variables not included in this research model, such as organizational culture, financial management transparency, human resource competence, and other external factors.

DISCUSSION

1. The Influence of Individual Morality on Fraud Prevention in Village-Owned Enterprises (BUMDes) in Moyo Hulu Subdistrict

The research findings indicate that individual morality has a significant influence on fraud prevention in BUMDes in Moyo Hulu Subdistrict. This means that the higher the individual morality of BUMDes managers (chairperson, secretary, and treasurer), the stronger the efforts to prevent fraud in village financial management.

This finding indicates that internal individual factors, particularly ethical values such as honesty, responsibility, and integrity, play a crucial role in shaping clean and accountable work behavior. In practice, BUMDes managers with high moral integrity are more likely to perform their duties in accordance with established procedures, refrain from abusing their authority, and avoid actions that could harm village finances.

When linked to the Fraud Triangle Theory (Cressey, 1953; Skousen et al., 2009), individual morality plays a role in the aspect of rationalization that is, how a person justifies their actions. Individuals with low moral standards tend to more easily justify fraudulent actions, whereas those with high moral standards will reject any form of justification for unethical behavior. Therefore, moral integrity is a critical factor in preventing fraud from originating within the perpetrator.

Furthermore, from the perspective of Agency Theory (Jensen & Meckling, 1976), BUMDes managers act as agents entrusted by the community (the principal) to manage village funds. However, conflicts of interest between the principal and the agent can lead to agency problems, one of which is opportunistic behavior. In this context, individual morality serves as a check on the agent's behavior, ensuring they act in the community's best interest and avoid misconduct.

The findings of this study also reinforce previous research, such as that by Laksmi & Sujana (2019), who stated that individual morality influences the prevention of fraud in village financial management. Furthermore, Suandewi (2021) found that village officials with high moral standards tend to exhibit lower levels of fraud. Research by Yusuf et al. (2021) and Wahyudi et al. (2021) also supports the notion that individual morality is a crucial factor in mitigating the potential for fraud in village fund management.

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Thus, it can be concluded that individual morality serves not only as a personal value but also as a critical internal control mechanism determining the success of fraud prevention efforts at BUMDes in Moyo Hulu Subdistrict.

2. The Impact of Internal Control Systems on Fraud Prevention at Village-Owned Enterprises in Moyo Hulu Subdistrict

The results of the study indicate that the Internal Control System (ICS) has a significant effect on fraud prevention at BUMDes in Moyo Hulu Subdistrict. This is evidenced by a t-value greater than the critical t-value and a significance level less than 0.05, leading to the rejection of H0 and the acceptance of Ha.

An Internal Control System is a set of policies and procedures designed to provide reasonable assurance that organizational objectives can be achieved, particularly regarding the reliability of financial reports, operational effectiveness, and compliance with regulations. According to COSO (2013), effective internal control encompasses the control environment, risk assessment, control activities, information and communication, and monitoring.

In BUMDes, the implementation of internal control systems such as the segregation of duties among the chairperson, secretary, and treasurer, a transaction authorization system, and regular oversight can minimize the likelihood of fraud. With a robust control system in place, every financial activity can be monitored, thereby preventing potential irregularities at an early stage.

The findings of this study are consistent with the research by Mardiana (2021), which states that internal control systems have a significant impact on fraud prevention. Hidayat's (2023) study also shows that the stronger an organization's internal control system is, the less likely fraud is to occur.

CONCLUSION

Based on the results of the study and discussion regarding the influence of Individual Morality and Internal Control Systems on Fraud Prevention at BUMDes in Moyo Hulu Subdistrict, the following conclusions can be drawn:

1. Individual Morality has a significant influence on Fraud Prevention at BUMDes in Moyo Hulu Subdistrict. This indicates that the higher the individual morality of BUMDes managers (chairperson, secretary, and treasurer), the more effective fraud prevention efforts are in village financial management. Good moral values

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such as honesty, responsibility, and integrity are important factors in reducing fraudulent acts.

2. Internal control systems have a significant effect on fraud prevention in BUMDes in Moyo Hulu Subdistrict. This means that the better the implementation of internal control systems such as segregation of duties, authorization procedures, and supervision the lower the likelihood of fraud occurring in BUMDes financial management.

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