

## **Analysis of Fraud Actions In Village Financial Management: Case Study of Maikor Village, North South Aru District, Aru Islands Regency**

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### **Abstract**

*This study aims to analyze acts of fraud, planning and accountability in village finances in Maikor Village, North South Aru District, Aru Islands Regency. Indonesia Corruption Watch (ICW) noted in the first semester of 2021 that the Village Government was the biggest perpetrator of corruption cases in Indonesia because the Anti-Corruption Behavior Index (IPAK) in Indonesia was 3.88 while the Anti-Corruption Behavior Index in rural areas reached 3.83. in 2021 so that village financial management has been regulated in Ministerial Regulation No. 37 of 2007 concerning Guidelines for Village Financial Management. This type of research is a descriptive qualitative research with a purposive sampling approach. The results in this study indicate that there are fraudulent acts that occur in village finances carried out by the village government in the 2010-2015 period with acts of misappropriation of funds and corruption of village finances. Thus, better prevention and inspection of village financial reports is needed so that fraud does not occur in village finances.*

**Keywords:** *Fraud, Planning Accountability In Village Finance*

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## **INTRODUCTION**

In general, fraudulent actions in financial management have the aim of obtaining personal gain in an improper manner. In accounting, fraud is an act committed intentionally by one or more people. According to ACFE (Association Of Certified Fraud Examiners) in Novia Tri Kurniasari, et. al (2018) fraud is classified into three types, namely, (1) Fraud in financial statements (2) Misappropriation of assets and (3) corruption. In the ICW report, there were 62 cases of corruption committed by the village government, followed by the district and city governments with 60 and 17 cases, respectively. So that ICW noted that in the first semester of 2021, the village government became the biggest perpetrator of corruption cases in Indonesia. Misappropriation of assets and false statements in financial statements or fraudulent financial statements often does not occur because the Anti-Corruption Behavior Index (IPAK) in Indonesia is 3.88 while the Anti-Corruption Behavior Index in rural areas reaches 3.83 in 2021.

Based on what has been conveyed by ICW, then the village financial management should be in the process and procedure for the preparation that has been regulated in this Minister of Home Affairs Regulation Number 37 of 2007, concerning Guidelines for Village Financial Management to provide an explanation of the responsibilities related to village financial management in each village. village apparatus. Minister of Home Affairs Regulation No. 37 of 2007 should be the basis of a strong guideline so that villages cannot commit fraud, but in reality many villages in the territory of Indonesia are not free from fraud. Some of the villages in question are located in eastern Indonesia, namely the Aru Islands Regency, Maluku Province, which is one of the regions in Indonesia and has a total of 80 villages. The fraud case that occurred in Maikor Village, North South Aru District, Aru Islands Regency in 2016 by the former village head.

The phenomenon that occurred in the Maikor village case was a case of fraud committed by the former village head, namely asset abuse and corruption in the Village Fund Allocation (ADD) during the 2010–2015 term of office. Briefly, the fraud case that occurred in Maikor village which was found by the researchers was that the former village head not only committed ADD fraud but also the fraud committed by the former village head such as the local government assistance in the form of two long boats that were used personally, distribution unequal poverty, slum house assistance that is not well targeted (given to the closest person to the former village head who is known to be a Kaur in Maikor Village), in addition to the need for clean water which is a government program to answer the survival of Maikor Village residents because of the pumping machine. for the clean water program the village head is used personally. As for the two villagers who in the end reported the village head to the authorities on charges of fake diplomas and fraud in the management of village finances. The reason for the residents to report was because the Maikor Village government could not run stably due to fraud committed by the former village head and community dissatisfaction with the village head election because the village head was suspected of using fake diplomas in the village head election. From the phenomena described above, the researchers are interested in conducting research in the village, because this fraud case was carried out by the former village head.

Fraud according to the Association of Certified Fraud Examiners (ACFE) in the Fraud Examiners Manual 2006 fraud is an advantage obtained by someone by taking something that is not their right or is not in accordance with reality, which includes elements that are unexpected, cunning, deceitful, unfair honest, and detrimental to others. lbrect, Alberct and Zimbelman (2011) define fraud as any means designed by human ingenuity to harm others with inappropriate presentation. Fraud in the Pentagon Theory was discovered by Donald R.

Cressey in 1953. This Pentagon theory will generally explain why people commit fraud. According to Skousen et al. (2009) concluded that in general fraud has 3 characteristics. After that, the development of the fraud triangle theory was proposed by Marks (2012) which is known as the fraud pentagon which adds elements of arrogance and competence to the three elements contained in the fraud triangle theory. The elements contained in the fraud pentagon are: Arrogance is the arrogant or haughty attitude of someone who considers himself capable of committing fraud. And Competence/Capability means the ability of the fraud perpetrator to penetrate the internal controls in his company, develop sophisticated embezzlement strategies and be able to control social situations that are able to bring benefits to him by influencing others to cooperate with him (Marks, 2012) ".

Minister of Home Affairs Regulation Number 113 of 2014 concerning Village Financial Management, village finances are all village rights and obligations that can be valued in money and everything in the form of money and goods related to the implementation of village rights and obligations. Village financial management cannot be separated from the village head and other village officials. In order to support good village financial management, it is carried out based on governance principles such as Transparent (Transparency), Accountability (accountability) and Participation.

## **RESEARCH METHODS**

### **Types of research**

This study uses a qualitative research type. According to Husaini and Purnomo, (2009:130) qualitative descriptive research is a descriptive method with qualitative research which is defined by the words according to the respondents, as they are in accordance with the research questions, then analyzed also with the background words.

### **Research Objects and Locations**

The object of research is to analyze fraud in village financial management in the Aru Islands Regency which was carried out by the former village head during the 2010-2015 term of office. The location is in Maikor Village, North South Aru District, Aru Islands Regency.

### **Data Sources and Data Collection**

Sources of data used in this study are: Primary Data Sources obtained through interviews and direct observations in the field. And secondary data sources obtained through documentation and literature study with the help of print media and internet media as well as field notes. The data collection used in this research is the technique of observation, interviews and documentation.

### **Data Analysis Techniques**

There are several stages of Miles and Hurbeman's interactive analysis model through four stages, namely collecting data obtained from observations, interviews and documentation recorded in field notes.

## **RESEARCH RESULTS AND DISCUSSION**

### **Overview of Research Objects**

Maikor Village is a village where all villages meet, especially villages in the southern/Urlima Abil region. Maikor Village is also referred to as "Mai meaning Mother" and "Kor meaning Mari Katong Meeting Something", so Maikor Village is a place for meetings or a place of deliberation for all Southern regions. Maikor Village is administratively included in the North South Aru District and is located in the south of the Aru Islands Regency. Maikor village has two hamlets consisting of Jerukin hamlet and Bansal hamlet. Maikor Village has an area of about 250 m<sup>2</sup>. From the area of the area, the village of Maikor is on the South Island. Maikor Village is bordered on the north by Babi

Island, in the south by Tabarfani Village, in the west by the open sea while in the east by Benjina Village. Based on data on the number of residents in Maikor village, the total population is 544 people, consisting of 259 female residents, 285 male residents with 124 family heads.

### **Fraud in village financial management**

Based on the results of research in Maikor village, some of the informants did not know and understand what fraud was in managing village finances. That way, there needs to be an adequate understanding for every village apparatus and community so that the village government can understand what fraud is and how to prevent fraud in village financial management. The causes of fraud in village financial management in the 2010-2015 period were conveyed by a number of sources, namely: "greed, there is no sense of satisfaction and interest in one another so that misuse of funds can occur" (said sources 1, 2, and 3). "There is no control system and can only see or hear the case because there is no authority" (said sources 1 and 3). "We are harming the community itself, we have people who know that we are working for the country and we should use the funds to build villages, not the term we use it for extravagance" (informant 1). There is another view from informant 2 that: "This case is indeed very disappointing to all of the community, but the community's disappointment is only hidden, while to follow up to the process level, the community does not proceed because the understanding of the community is like ordinary people, can only be silent or suppressed until report to the central government or local government, people don't get there, so people only have disappointment". After listening to the views of fraud from several sources, a new question arose stating that the village apparatus at that time did cooperate in fraudulent village finances such as the following question, where were the other village officials in entering village financial reports: "They exist but there is work the same between village officials so that the community does not know the reports". (Revealed resource person 6), as for another statement from the same (source person 1) as follows: "There are other village officials but there is cooperation in the report".

When the researchers found out the causes of fraud in the village of Maikor, several questions arose for the informants, namely what is the role of the village apparatus now in overcoming fraud related to ADD and what are the solutions from the village government. "Only can report" (reported source 2). "The way we deal with this ADD is for fraud. I said that if we have a program that is really programmed and we actually carry it out, but if we have a musreimbang then we have chosen the program decisions that we have to go through, but if we don't carry out it means there is no need to conduct the musreimbang again because the musreimbang is for us to determine programs for the village" (informant 1).

"The solution, it just depends on us in the village, where the village government has honesty, openness to the community that this fund the government provides costs for the village but if we stay silent it means the community does not know," said Resource Person 1. "The method is to explain all programs according to village funds".

The village government system in the 2010-2015 period was closed due to the absence of accountability and transparency in village financial reports. The management of village finances is not in accordance with the applicable rules as stipulated in Pemandagri number 20 of 2018 which requires village financial management to be carried out in an accountable, transparent and orderly manner and budget discipline. With the village financial management guidelines in Ministerial Regulation No. 37 of 2007 concerning village financial management guidelines provides an explanation of the responsibilities related to village financial management in every village apparatus, but in reality the village government does not manage village finances as well as possible.

If the fraudulent action is related to the theory of fraud, this research is related to the theory of the Pentagon's fraud because the fraud that occurs is caused by pressure, opportunity, rationalization, capability, and arrogance factors. For the five factors that caused the fraud, the case of fraud in village financial management carried out by former village heads for the 2010-2015 period in this study was more an opportunity factor due to the opportunity for cooperation by former village heads with village officials during their tenure. In the village financial report, it is known that the village operator in the 2010-2015 period is a close family of the former village head himself so that there is an opportunity factor in committing village financial fraud.

### **Planning in village financial management**

Planning for village financial management is one of the activities carried out by each village with the mechanism carried out starting from preparing the Draft Village Regulation (Raperdes) to evaluating by the sub-district head based on the delegation of authority from the Regent. However, in the planning for the 2010-2015 period, it was known that at that time the community only heard of program planning carried out by the village government but to be involved in the program the village community did not know because the government in the 2010-2015 period used a closed system. The Musrembang, which was supposed to bring the community together, but the village government for the 2010-2015 period did not invite the community to include input and suggestions from the village community. So that village planning is not known by the village community and many development program plans in the 2010-2015 period must be abandoned.

That way, the new government in 2018 with the remaining period of the former village head, the village head together with the new village government will continue village programs such as building teacher houses, providing BLT assistance to village communities, building street lights in the village, building roads footpaths, as well as repairs to inadequate community houses. All village development programs that were neglected in the 2010-2015 period were running according to the village government planning for the 2018 period. In planning the village program, the village government presents the community in the musrembang so that the inputs and proposals that the community wants to convey can be programmed for village planning according to the funds given to the village. Then the following questions regarding planning such as what are the procedures for planning village funds carried out by village officials that will ensure that there is no fraud in village financial management, according to the statement of resource person 2 that: already used, and currently being budgeted for. It's just that the funds are not yet available, but there is a financial process that has not been disbursed until now, but there has been a program design included that this year around 10 street lights will be made according to what has been designed, regarding education and needs such as print and there is also a request through Musrembang...".

Then what is the role of village officials in implementing village financial management planning, said resource person 2 "Yes, it is more about applying to the community, later before this design has been entered into the stages to the community that this year we will do this .... Regarding the Musrembang we can present two youth shops have community representatives, women's representatives in attending the planning stages of the village program with the community attending the musrembang...". As for planning in village finances, what is the mechanism for managing village finances related to ADD: "The previous mechanism has been said, if we don't explain the program that has been made then we will be in chaos, and we will not know what to do later, so we have to do it. making Baleo APBDes so that the community also knows what the actual program is... so people say it's

not that we are just careless in designing village programs but it must be listed with evidence that we designed so that the community can also see the program...". Reveal source 1

With the mechanism that has been conveyed then how is the planning in the village financial management process after the fraud that occurred in the village financial management: "What has been programmed in the musreimbang will still be done" said resource person 4 . As for the statement of source 2 that: "The planning when it is evaluated by the sub-district government is then sent down to the village, then it is approved by the BPD". After the planning mechanism presented by each resource person, fraud in village finances cannot occur because the planning process and mechanism in village management are in accordance with the program through the village musreimbang. Apart from the planning process and also cases of fraud that occurred, what about the level of participation of village communities in village financial management planning, "Community participation is very high for the new government". The informant 2 said while the statement from resource 1 stated that: There are people who are happy with the participation and some are not happy because the community does not understand the village funds very well". Therefore, the fraud that occurred caused the level of community participation in program planning carried out in the village by 50%. However, the new government for the 2018 period is not worrying because the village government understands that public trust will exist when the village government carries out its duties and responsibilities honestly and well.

#### **Accountability in village financial management**

Based on the results of the research on village accountability reports in the 2010-2015 period, it was found that there were no such reports due to the government being closed to the village community in accordance with the results of interviews that had been explained by the previous interviewees. So that the accountability report carried out by the Village Head for the 2018 period now is to submit a Realization Report on the implementation of the Village Revenue and Expenditure Budget (APBDes) to the Regent through the intermediary of the Camat, Financial PMD Office by attaching village financial reports in the form of books. For village financial accountability reports, Maikor is assisted by village operators where the village operator is someone who assists the village government in inputting village financial accounting accountability reports. As for the types of accountability reporting in village financial management, according to resource person 3 that: "Reports are accompanied by physical evidence and there are three reports prepared, namely reports for the Village, Camat and Village Community Empowerment Service (PMD)". as well as the statement of source 2 who said: "The type of reporting with activity planning is realized, then the report will follow with evidence".

The accountability report carried out by the new government for the 2018-2022 period must use physical evidence that the funds were indeed used so that village financial reports can be trusted by the village community. After that, the form of accountability reporting in village financial management uses the form of bookkeeping, the statement according to informant 1 that: "The form of financial accountability is through bookkeeping", the statement of source 1 is the same as the statement of source 2 which says: "The form of the report is recorded and then entered into the Camat "

Meanwhile, what about reporting procedures in village finances related to ADD? Statement from source 3 who said: "The procedure is after collecting evidence and submitting it to the village operator after that the report is submitted". The obligations of the village government for the 2018 period for financial reports are more well managed and accountability in financial reports is recorded along with physical evidence so that fraud in financial reports cannot occur because the accountability report is known by the village

community through the Village Budget Budget (APBDes) and financial reports that accompanied by proof of outgoing funds.

### **Discussion**

Based on the results of interviews conducted by researchers with several sources in the village of Maikor regarding fraudulent actions in village financial management related to the Allocation of Village Funds in the 2010-2015 period carried out by the former village head that the case was indeed corruption in the village finances of Maikor, South Aru District. North of the Aru Islands Regency but does not have accurate evidence but there is only physical evidence in the village such as no development in the village and village programs that are not implemented properly. This fraudulent act was not only carried out by the former village head himself but the cooperation of all village officials during the 2010-2015 period. The village has a village operator who is someone who helps input village financial reports but village operators in the 2010-2015 period are known to cooperate, because village operators used to be close relatives of the former village head himself as stated in the following statement: "Village operators used to be different from now . The operator used to be the son of the former village head himself," said source 2, so that suspicions arose that there was good cooperation to commit fraudulent acts in the village finances.

The form of fraud committed in village financial management which is a form of corruption in Village Fund Allocation, misuse of village funds and government programs provided is also misused by former village heads, and there is no development for village communities. In addition, the village financial accountability report was never known by the village community even to make decisions at the deliberation/musrembang, the community was not presented in the musrembang. The implementation of the musrembang is regulated in Law No. 25 of 2004 concerning the National Development Planning system. The implementation of which is regulated by the Minister of National Development Planning (Bappenas) for the National level and the Regional Development Planning Agency (Bappeda). However, the musrembang that took place in Maikor village in the 2010-2015 period was a musrembang that was not presented by the community in the village development planning program, the inputs and proposals of the village community were not listened to by the village apparatus, so for the musrembang in Maikor village who knew the village program and agreed on the planning Village development is only a village apparatus without involving the community.

The application in Maikor village financial management related to Village Fund Allocation based on data and sources obtained during research interviews in Maikor village, South Aru Utara District, Aru Islands Regency, that village financial management during the 2010 - 2015 period was not fully managed properly based on the principle The principles of Transparency (Open), Accountability (Accountability) and Community Participation, were not properly implemented in accordance with the provisions and laws in force during the tenure of the former village head and other village officials for the 2010–2015 period, thus making fraudulent actions possible in village finances . Village financial management related to Village Fund Allocation on the principles of Transparency and Accountability is sought so that village governments can realize good governance with the principles of participation, openness, and accountability in the implementation of government and sustainable village development so that fraud does not occur. can occur in village finances.

Thus the fraudulent act in managing village finances by the former village head caused a lot of losses for the village community and the planning and development programs in the village were neglected and the village community distrusted the village government because village financial management used a closed system in the 2010-2015 period. . Even

though the village community also has the right to know every village finance, the village government does not allow the village community to know the village finances until the change of the new village government. With the new village government, the village community hopes that the current village financial management can be better than in the 2010-2015 period. And the results of interviews with village communities that said the community "For the village government now it can be seen that it is better than the previous government in the 2010-2015 period whose government system was closed. For the current village government, every budget issued by the village, the village apparatus will present the budget in front of the village office such as the baleo APBDes, not only that all program planning runs smoothly and the accountability report is also said to be very good". So that the village community does not feel disappointed for the current village government because financial management for the village community is very transparent and accountable.

## **CONCLUSION**

Based on this research on fraud in Maikor village, fraud did occur in village financial management related to the allocation of village funds by former village heads and the existence of village government cooperation in the 2010-2015 period. Fraud was identified using the fraud pentagon theory which consists of pressure, opportunity, rationalization, capability, and arrogance in the former village head. However, of the five factors that cause fraud in the fraud pentagon theory, this research is more about the opportunity factor because of the cooperation carried out by former village heads with village officials during the 2010-2015 period. It is known that the village operator who is the person who helps input the village financial statements is a close family of the former village head himself, as stated by source 2 below "Village administrators used to be different from now. The operator used to be the son of the former village head himself."

The research that has been conducted regarding the analysis of fraud in village financial management concludes that in cases of corruption related to Village Fund Allocation that occurred in Maikor village, North South Aru District, Aru Islands Regency there was fraud in village financial management. The indicator is that the perpetrators who commit fraud consider there is an opportunity to cooperate with all village officials in committing fraud because the village operator who assists in village financial reports is a close family of the former village head. In addition, the current village government system with cases of fraud occurring in the village means that the government is now more accountable for village financial reports accompanied by evidence of disbursement of funds.

### **Research Limitations**

The limitations of researchers in obtaining data and information from each resource person in the village for this research are the limited knowledge of the informants so that researchers can only obtain information and documentation with fairly maximum results. The object of this research is still limited to the Maikor village government and involves community representatives in the village.

### **Suggestion**

It is hoped that in the application of village financial management it can be managed properly and village financial funds can be fully known by the whole community so that there is no fraud in village financial management and the implementation of village financial management stages can fully apply the principles of transparency, accountability and participation. by means of disclosure of information to the whole community and all expenditures of village financial funds can be made baleos / banners so that people can know village finances and do not feel disappointed with the performance of the new village government.



## Research Implication

Based on the results of research that has been carried out, it shows that fraudulent actions in village financial management in Maikor village with the principles of accountability and transparency were not carried out properly and correctly by the former village head so that it is hoped that the new government in Maikor village can apply the principles of transparency and accountability in financial management. In the village, all village financial management processes will experience stability and the village government's performance will be effective so that fraud can be avoided in village financial management.

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