Al-Buhuts e-Journal
On Line ISSN : 2442-823X
Print ISSN : 1907-0977
Volume 21 No 1, June 2025

Synergy Based BUMDES Fraud Prevention Model *Good Governance* and Internal Control System

Usman Usman
Universitas Negeri Gorontalo
usmandaming@ung.ac.id

Victorson Taruh
Universitas Negeri Gorontalo
Victortaruh07846@gmail.com

Abstract

This study aims to examine the effects of good governance and internal control systems on fraud prevention in Village-Owned Enterprises (BUMDes) in Kabila Bone District, Bone Bolango Regency, Gorontalo Province. This study employed a quantitative approach involving 86 respondents consisting of village officials and BUMDes managers. Data were collected using a structured questionnaire and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. The results show that good governance has a positive and significant effect on fraud prevention (β = 0.445; t = 3.228; p = 0.001). The internal control system also has a positive and significant effect on fraud prevention (β = 0.338; t = 2.710; p = 0.007). Furthermore, the model explains 51.5% of the variance in fraud prevention (R^2 = 0.515), indicating that good governance and internal control systems jointly provide a substantial contribution to fraud prevention, while the remaining variance is attributable to other factors outside the model. These findings support contingency theory by indicating that the effectiveness of fraud prevention is influenced by the suitability of organizational governance and internal control mechanisms to the organizational context of BUMDes. The findings imply that strengthening transparency, accountability, participation, and structured internal control mechanisms is essential for improving fraud prevention and accountability in BUMDes management.

Keywords: Good Governance, Internal Control System, Fraud Prevention

A. INTRODUCTION

Village economic growth and improving community welfare. As an economic entity established by the village and managed by the village community itself, BUMDes is expected to be a driving force for village development by optimally utilizing local potential. However, BUMDes management is often faced with the risk of fraud that can harm village finances and undermine public trust. Fraud in BUMDes management can include misuse of funds, corruption, and manipulation of financial reports. Therefore, efforts to prevent fraud in BUMDes management are necessary to ensure transparency, accountability, and efficiency in village financial management. Problems frequently arising in BUMDes are BUMDesThere isn't any Transparency in financial management, where BUMDes financial reports are on ly known to the BUMDes chairman and treasurer. Manipulation of

Village Original Income (PADes) data, especially income sourced through BUMDes, where the village income does not reflect the actual situation. (Adi Sucipta, 2022). This has resulted in many village-owned enterprises (BUMDes) experiencing business stagnation. This stagnation is also experienced by the Bone Bolango Regency government, with only 20% of BUMDes operating, and most only having a deed of establishment. Human resources and technological skills are also still low in BUMDes management (Hamim Pou, 2021).

Fraud frequently occurs in the management of Village-Owned Enterprises (BUMDes), including misuse of funds, non-transparent financial records, and unaccountable decision-making. This not only harms village finances but also undermines public trust in BUMDes managers and the village government in general. Frequently publicized cases of misuse of BUMDes funds demonstrate that there are still many weaknesses in the BUMDes governance and internal control systems.(Fidianatun, 2023) and (Usman., 2024.). Meanwhile, other researchers have stated that the weakness of the BUMDes internal control system presents many loopholes for the tendency of fraud, including: lack of transaction evidence, poor financial records, no separation of cash receipts and records, not carrying out...*stock shot*(Wahyudi, T., & Prasetyo, 2020)

Furthermore, previous research also revealed that one of the root causes of this rampant fraud is weak governance within village-owned enterprises (BUMDes). Many BUMDes have not implemented good governance principles such as transparency, accountability, responsibility, independence, and fairness. As a result, decision-making processes tend to be secretive, poorly documented, and vulnerable to manipulation (Putri, A., & Nugroho, 2021). Furthermore, ineffective internal controls also create a loophole for fraud. Without an adequate monitoring and control system, all BUMDes operational and financial activities are at high risk of irregularities (Sari, 2019).

By strengthening governance and implementing an effective internal control system, the potential for fraud in BUMDes management can be reduced. Good governance will create a healthy organizational culture, while effective internal control will help detect and prevent irregularities early on. Therefore, a fraud prevention model based on strengthening governance and internal control is needed, which can serve as a guideline for BUMDes in carrying out their operations transparently, accountably, and with integrity. Previous research has shown that weak governance and internal control can increase the risk of fraud in BUMDes management.

B. LITERATURE REVIEW

This study adopts contingency theory as the primary theoretical framework for understanding how BUMDes designs fraud prevention strategies through internal control and good governance. This

theory holds that no single entity is inherently a single, effective approach for all organizations, as each BUMDes operates in a different environmental context, both in terms of social, economic, and institutional capacity. As explained by (Lawrence, P. R., & Lorsch, 1967) in (Lukviarman., 2016), contingency theory emphasizes the importance of adapting organizational structures and mechanisms to the complexity and external dynamics faced.

In this context, fraud prevention in BUMDes is heavily influenced by contingency factors such as: the education level of managers, community participation, village monitoring systems, and regulatory support from local governments. Therefore, fraud control strategies An effective internal audit system must be designed to suit local characteristics, including separation of functions, transaction recording, and regular monitoring. Meanwhile, implementing good governance principles, such as transparency, accountability, participation, and integrity, is a crucial approach to creating a system capable of preventing and detecting potential fraud early.

Thus, the application of contingency theory in this study is relevant to explain the variations in approaches used by BUMDes in building control and governance systems, as well as how adjustments to these strategies impact the effectiveness of fraud prevention at the village level.

Draft *Good Governance*

According to the World Bank (1994),governanceinterpreted as*the way state power is used in managing economic and social resources for development of society*, which refers to how state power is used to manage economic and social resources to support community development. Meanwhile,United Nations Development Programme (UNDP, 1997)defines governance as*the exercise of economic, political, and administrative authority to manage a country's affairs at all levels*This definition emphasizes that governance is a process of implementing authority in the economic, political, and administrative fields in order to manage various state affairs at all levels of government effectively and responsibly.

International Federation of Accountants'(2001) revealed that*Governance* closely related to structure, decision-making process, accountability, control, and behavior in organizations, furthermore, governance consists of arrangements that enforce and ensure that the desired outcomes for stakeholders can be achieved.*International Federation of Accountants dan Consumer Finance Protection Agency*, (IFAC&CFPA, 2014).

The creationgood governanceis a primary prerequisite for the implementation of a transparent, accountable, and participatory public administration system. Good governance not only reflects institutional integrity but also serves as the basis for implementation.effective internal controlin preventing irregularities and fraudulent practices. Through structured oversight mechanisms, clear

separation of functions, and active stakeholder participation, the government can ensure that public resource management is conducted in accordance with the principles of efficiency, fairness, and accountability.

Measurement ofgood governancegenerally refers to basic principles that are widely agreed upon by various international and national institutions. The Asian Development Bank (1999) revealed that there is a general consensus regarding the fundamental elements of good governance, which include four main pillars, namely:*(1) accountability, (2) transparency, (3) predictability,* And *(4) participation*These four elements are considered key indicators in assessing the quality of governance, particularly in the effective and responsible management of public resources.

A similar view was expressed byLaw (2003)which emphasizes that good governance is based on three main principles, namelyaccountability, transparency, and public participation**,**as a foundation in creating a democratic and responsive system of government.

In line with that,Financial and Development Supervisory Agency BPKP (2023)emphasizes that the principles of good governance include:*(1) transparency, (2) participation, (3) accountability, and (4) independence*These four principles provide a concrete framework for measuring the quality of governance, as well as serving as a reference in formulating policies and internal control mechanisms in the public sector.

Internal Control System

Control*(control)* includes all methods, policies and organizational procedures that guarantee the security of company assets, accuracy and appropriateness of data and management operating standards to achieve the goals that the organization wants to achieve (Susanto, 2013). Internal control is a system containing policies.*(policies)* and procedures*(procedure)* to provide confidence*(assurance)* adequate to the management of the goals and targets to be achieved (Arens*et al.*, 2014:291).

Jhonstoner*et al.*(2012:75), Konrath (2002:205), Ricchiute (2006:300), define internal control almost the same as the meaning given by COSO (2013), namely a process influenced by the board of directors, management, and apparatus, designed to provide adequate assurance in achieving the organization's operational objectives effectively and efficiently, reliable financial reporting and compliance with applicable laws and regulations.

The objectives of control according to Azhar Susanto (2013:88) are: (1) to ensure that the objectives of each activity will be achieved; (2) to reduce the risk of crime, danger or loss caused by fraud,

cheating, deviation, embezzlement and embezzlement; (3) to provide convincing and reliable assurance that all legal responsibilities have been fulfilled.

The Indonesian government adopted internal control as stipulated in Government Regulation No. 60 of 2008 concerning the Government Internal Control System (SPIP) which defines the internal control system as an integral process of actions and activities carried out continuously by leaders and all employees to provide reasonable assurance of achieving organizational goals through effective and efficient activities, reliable financial reporting, safeguarding state assets and compliance with laws and regulations. Internal control is implemented comprehensively in both central and regional government environments. The form of internal control is supervision including audit activities, reviews, evaluations, monitoring, and other supervisory activities.

From the several internal control statements above, internal control can be concluded as an overall process that is influenced by management and all employees to provide adequate assurance to management regarding the effective and efficient achievement of objectives, reliability of financial reports and compliance with applicable regulations in various types of organizations.

Measurement of the internal control system according to COSO (2013) can be described in the following five components:

1) Control Environment*(Control Environment)*

   Are actions, policies and procedures that reflect overall attitudes*top management*, the board of commissioners and the owners of the entity about the importance of control in an entity.

2) Risk Assessment*(Risk Assessment)*

   Every entity faces various risks from external and internal sources. Risk is defined as the possibility that an event will occur and affect the achievement of objectives. Risk assessment involves a dynamic and iterative process of identifying and assessing risks against which objectives can be achieved.

3) Control Activities*(Control Activities)*

   Control activities are actions established through policies and procedures that help ensure that management directives to reduce risks to the achievement of objectives are carried out.

4) Information and Communication*(Information and Communication)*

   Information necessary for an entity to carry out its internal control responsibilities to support the achievement of objectives.

5) Monitoring*(Monitoring)*

Ongoing evaluations, separate evaluations, or a combination of the two are used to ascertain whether each of the five components of internal control, including controls to influence the principles within each component, are functioning properly.

Fraud Prevention

The concept of fraud in organizations is explained by (Arens, A. A., Elder, R. J., & Beasley, 2014) a*s the intentional use of deceit, a trick or some dishonest means to deprive another of his money, property or legal right, either as a cause of action or as fatal element in the action itself*. This definition shows that fraud is an act carried out intentionally using trickery, deception, or dishonest means to take, seize, or eliminate money, assets, or legal rights belonging to another party, whether an individual or an organization.

In a similar context by Albrecht, W. S., Albrecht, C. C., Albrecht, C. O., & Zimbelman (2012) in their work*Fraud Examination*states that fraud is in principle an act of deception carried out intentionally with the aim of obtaining illegal profits from the assets or property of another party. Specifically in the scope of financial statement audits, fraud is a form of intentional misstatement, both in financial reporting and misuse of organizational assets. Hery (2016) also classifies two forms of fraud, namely: (1) fraud in financial reporting And (2) misuse of assets**.**

A similar view was expressed by Tunggal (2012) that fraud involves various forms of human ingenuity used to gain an advantage over another party through false and misleading actions. James (2011) added that fraud is a form of misrepresentation of material facts by one party to another party with the intention of deceiving and causing loss to the organization.

Furthermore, the National Committee on Governance Policy (Komite Nasional Kebijakan Governance, 2008) emphasizes that fraud is dishonest behavior that has the potential to cause direct or indirect harm to the organization, employees, and other parties. Fraudulent acts can take the form of asset theft, report manipulation, money laundering, document falsification, information concealment, or the leaking of organizational data to external parties.

Fraud, as explained by Pedneault, S., Sheetz, M., Silverstone, H., & Rudewicz (2010), is an unpredictable act that has the potential to damage an organization's reputation as a whole. In fact, Koletar (2003) states that fraud often stems from the greed of individuals or groups within an organization, which is carried out gradually and systematically, so that in the long term it can erode institutional integrity.

Early symptoms of fraudulent acts can be recognized through indirect indicators.**,**such as marked lifestyle changes, suspicious documentation, customer complaints, suspicions from

coworkers, or other behavioral deviations. According to Moeller (2010), fraudulent acts often reflect certain situational characteristics, including work environment conditions and individual behavior that are potential indicators of fraud.

Albrecht (2014:308) stated that fraud can be prevented if it involves two basic activities, namely first, creating a culture of honesty and ethics (2) reducing risks and eliminating opportunities for fraud to occur. Therefore, to prevent fraud, two important approaches can be discussed, namely (1) creating a culture of honesty and ethics. Important elements that must be considered in implementing fraud prevention are; (a) providing assurance that leaders can provide examples of good behavior, (b) employing honest people, (c) providing information on expectations in the organizational structure (e) creating a positive work environment.

The second approach is to eliminate the opportunity for fraud to occur (1) Reduce risk, (2) Carry out preventive and detective measures against risk, (3) Monitor employees (4) There are internal and external auditors who check the organization's performance.

Thinking Framework

In order to see the importance of morality, religiosity in preventing fraud through tax compliance as a mediating variable can be presented in the following research framework:

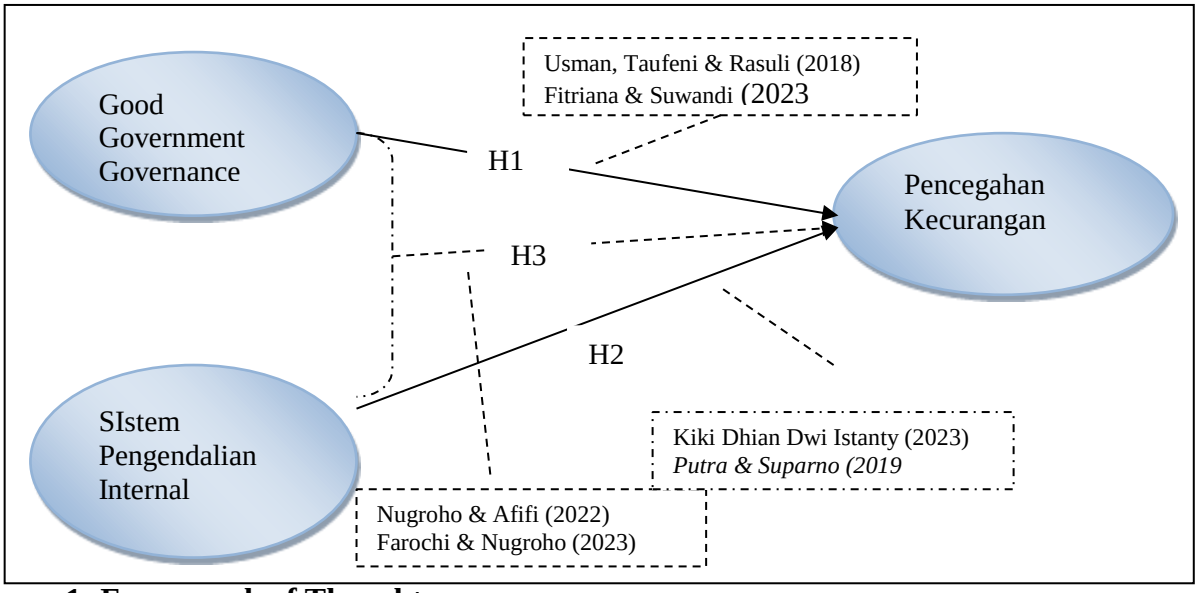


Figure 1: Framework of Thought

C. METHOD

Research Approaches and Types

This research uses a quantitative approach with descriptive verification research type**,**which aims to explain the relationship between variables while testing causal influences through statistical

data processing. To analyze the relationship between latent variables in the research model, the Structural Equation Modeling (SEM) analysis technique based on Partial Least Squares (PLS) was used..

The SEM-PLS method was chosen because it can handle complex models, accommodate non-normally distributed data, and is suitable for small to medium sample sizes. Furthermore, it can strengthen construct validity.

Operationalization of Research Variables

Jogiyanto (2007) states that variable operationalization is the process of determining how to measure variables so they can be implemented empirically. This process is necessary to describe research variables into appropriate dimensions, indicators, and data scales, thereby facilitating data collection and analysis. The operationalization of the variables in this study is described as follows: (1) Good governance. measured through the indicators of Accountability, Participation, Predictability (Legal and Policy Certainty), Transparency (ADB, 1999); (2) Internal control system includes the dimensions of Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities (COSO, 2013). (3) Fraud Prevention Variables measured in two dimensions according to Albrecht (2014), including creating a Culture of Honesty and High Ethics and Eliminating Opportunities for Fraud.

Population and Research Location

The population of this study was all Village-Owned Enterprises (BUMDes) in Kabila Bone District, Bone Bolango Regency, Gorontalo Province. The villages included in this area include: Botubarani, Huangobotu, Biluango, Modelomo, Botutonuo, Molotabu, Bintalahe, Olohuta, and Olele.

This study used a purposive sampling technique, which is a sampling technique with certain considerations or criteria. According to Sugiyono (2019), purposive sampling is a sampling technique based on specific considerations determined by the researcher. The sample criteria used in this study included village officials and BUMDes managers, consisting of 11 people per village, namely: elements of the Village Deliberation (Musdes), Village Head, Village Consultative Body (BPD), BUMDes Supervisory Board, BUMDes Director, Secretary, Treasurer, and other BUMDes administrators who play an active role in managing village businesses. Thus, the total number of samples in this study was 99 BUMDes managers from nine villages in Kabila Bone District.

Data Collection Techniques

Primary data were collected through a closed-ended questionnaire survey, with a Likert scale of 1–5, in which respondents were asked to provide their level of agreement with statements

representing the constructs:

- Good governance
- Internal Control System
- Fraud prevention

In addition, researchers can also supplement this with secondary data such as village financial report documentation, tax compliance data, and audit results (if available) from each village as supporting material for the analysis.

Data Analysis Techniques

Data analysis was performed using SEM-PLS with the aid of SmartPLS software. The analysis process consisted of two main stages:

- ***Measurement Model Analysis (Outer Model):***To test the validity and reliability of the construct through the values*loading factor*, *Average Variance Extracted (AVE)*, And *Composite Reliability (CR)*.
- **Structural Model Analysis (Inner Model):**To test the relationship between latent variables by looking at the values*path coefficient*, *R-square*, as well as significance testing (*t-statistic* And *p-value*) through the bootstrapping procedure
- F-Test (Simultaneous Hypothesis Test): Used to test the level of significance of the overall influence of exogenous variables on endogenous variables. In this study, the researcher proposed a hypothesis with a significance level of $\alpha = 0.05$.

In the simultaneous test, the statistical test used is the F test. To calculate the F value manually, you can use the following F formula:

$$\text{F hitung} = \frac{(n - k - 1)\, R^2}{k\,(1 - R^2)}$$

D. RESULTS AND DISCUSSION

Research result

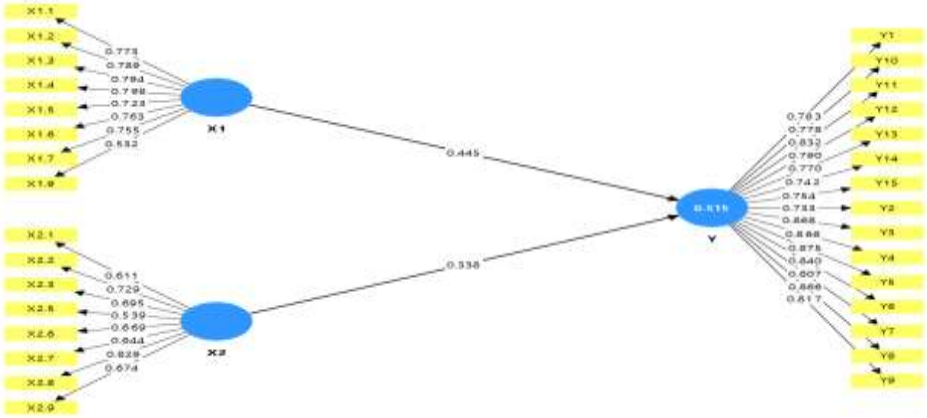
The statistical data analysis method used in this study is non-parametric with*Partial Least Squares – Structural Equation Model (PLS SEM)*. The consequence of using PLS-SEM is that testing can be conducted without a strong theoretical basis, ignoring several assumptions (non-parametric) and the accuracy parameters of the predictive model as seen from the coefficient of determination value (Ghozali, 2021).

Verification Statistical Analysis

Verification analysis in relation to the structural equation model formed, which is then carried out in hypothesis testing using the PLS-SEM method. According to Hair*et al.*(2019) This method forms a complex model with several constructs, variables, and indicators, followed by a structural path with distribution assumptions in the data. The model fit test in this study is as follows:

Measurement Model Fit Test (Outer Model)

Path diagramused in the analysis**Structural Equation Modeling (SEM)**based on Partial Least Squares (PLS). This model shows the relationship between**two independent variables (X1 and X2)** to **satu variabel depende (Y),**and the relationship between each variable and its indicators.



Source: Data processed by SmartPLS4 (2025)

Test Validity

a. Convergent Validity

Convergent validity test with program*SmartPLS*can be seen from the value*Average Varian Extracted (AVE)*. a construct has a high level of validity if the AVE value is greater than 0.50. The results of the AVE value test for the study are presented in the following table:

Table 4.1
AVE Indicator Value

Variables	AVE value
Good Governance (X1)	0.556
Internal control system (X2)	0.560
Fraud prevention (Y)	0.637

Data source processed by SmartPLS 4 (2025)

Based on the processing results shown in Table 4.9, most of the indicators for each variable in this study have an AVE value. greater than 0.50. Thus, all indicators have met the

requirements for convergent validity.

b. *Discriminant Validity*

*Discriminant Validity*done by looking at the value*cross loading* construct measurement. Value*cross loading*shows the magnitude of the correlation between each construct and its indicators and indicators from other block constructs.

A measurement model has*discriminant validity*which is good if the correlation between the construct and its indicators is higher than the correlation with indicators from other block constructs. The results of the discriminant validity test of the study are presented in the following table:

Table 3

Cross loadings value

	X1	X2	AND
X1.1	0.773	0.511	0.549
X1.2	0.789	0.437	0.399
X1.3	0.794	0.421	0.522
X1.4	0.798	0.612	0.617
X1.5	0.723	0.390	0.485
X1.6	0.763	0.508	0.498
X1.7	0.755	0.531	0.444
X1.9	0.532	0.572	0.425
X2.1	0.496	0.611	0.351
X2.2	0.404	0.729	0.383
X2.3	0.514	0.695	0.432
X2.5	0.417	0.539	0.236
X2.6	0.506	0.669	0.470
X2.7	0.335	0.644	0.395
X2.8	0.524	0.829	0.623
X2.9	0.457	0.674	0.431
Y1	0.492	0.596	0.783
Y10	0.478	0.407	0.778
Y11	0.599	0.504	0.832

Y12	0.556	0.458	0.790
Y13	0.505	0.357	0.770
Y14	0.536	0.395	0.742
Y15	0.540	0.407	0.754
Y2	0.567	0.588	0.733
Y3	0.577	0.620	0.868
Y4	0.594	0.628	0.868
Y5	0.532	0.543	0.875
Y6	0.526	0.564	0.840
Y7	0.422	0.367	0.607
Y8	0.510	0.537	0.866
Y9	0.573	0.537	0.817

Data source processed by SmartPLS 4 (2025)

Based on the results*cross loading*The above shows that the correlation value of the construct with its indicators is greater than the correlation value with other constructs. Thus, it can be concluded that all constructs or variables already have*discriminant validity*

Reliability Test

Other tests to perform evaluation*outer model*is by looking at the reliability of the latent variable construct measured by*cronbanch's alpha* And *composite reliability*. A construct or variable is said to be reliable if it provides a value*cronbanch's alpha* And *composite reliability*greater than 0.7. The results of the research reliability test are presented in the following table.

Table 4.2
Cronbach's Alpha and Composite Reliability Values

	Cronbach's alpha	**Composite reliability (rho_a)**	**Composite reliability (rho_c)**	**Average variance extracted (AVE)**
X1	0.883	0.891	0.908	0.556
X2	0.831	0.856	0.871	0.460
AND	0.958	0.962	0.963	0.637

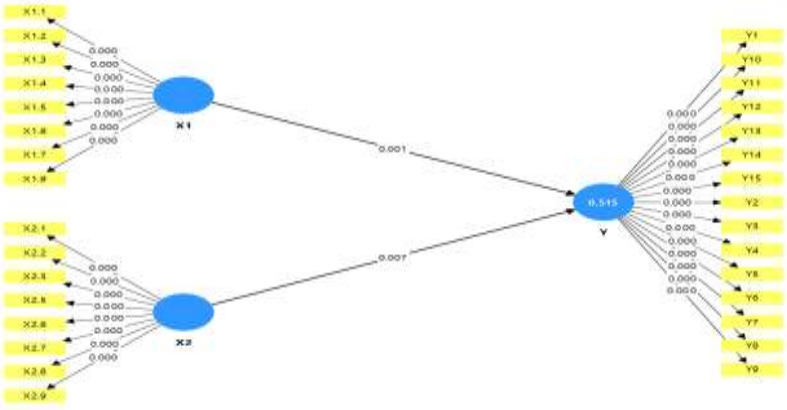
Data source processed by SmartPLS 4 (2025)

Based on the results of the reliability test in the table above, the value*cronbanch's alpha* And

composite reliability on each variable is greater than 0.7. With these resulting values, it can be concluded that all constructs have good reliability or are able to measure their constructs.

Structural Model Fit Test (Inner Model)

Structural Model Fit Test (Inner Model) deep Partial Least Squares Structural Equation Modeling (PLS-SEM)aims to assess the relationship between latent constructs (latent variables) in the model. The inner model can be presented in the following figure:



Data source processed by SmartPLS 4 (2025)

Next evaluation *inner model* is an analysis of the results of the relationship between constructs. Testing *inner model* consist of *R square*, *f square* and hypothesis testing

R Square

The structural model for the dependent construct was evaluated using*R-Square*or determination test. Change in value*R-Square* can be used to assess the influence of certain independent variables on dependent variables. The value*R-Square*presented in the following table:

Table 4.3
R-Square Value

	R-square	Strong/Moderate/Weak Relationship
AND	0.515	Strong

Data source processed by SmartPLS 4 (2025)

According to Chin (1998) in Ghozali (2021:75),*R-Square* with a value of 0.67 indicating a strong model, a value of 0.33 indicating a moderate model and a value of 0.19 indicating a weak model. The results of the table show that the value*R-Square* for the Fraud Prevention variable (Y**)** is 0.515 which means that good governance and internal control systems have an influence on fraud

prevention of 51.5%, and the remaining 48.5% is explained by other variables outside this research model.

f Squar

Next is to look at the value*f Square*. The f Square value of 0.02 indicates a small rating,*Effect Size*0.15 indicates a medium rating and*Effect Size*0.35 indicates a large rating of Cohen (1988) in Ghozali (2021). Based on the test results with SmartPLS 3, the results obtained*f Square*as follows.

Tabel f-square

	X1	X2	AND	Rating
X1			0.224	Secondary
X2			0.130	Small

Data source processed by SmartPLS 4 (2025)

Based on the table, it shows that the Good Governance variable (X1) has a moderate influence in preventing fraud in BUMDes in Kabila Bone sub-district and the Internal Control System (X2) has a small influence in preventing fraud in BUMDes in Kabila Bone sub-district category.

Hypothesis

Hypothesis testing is carried out by examining partial test results for each variable. To determine whether a hypothesis can be accepted or rejected, one can consider the significance values between constructs.*t-statistic,*And *p-values*. Criteria (*rule of thumb*) used in this study is*t-statistic*> *t-table*. Mark *t-table* with *degree of freedom* 84 and significance level*p-value* 0.05 (5%) is 0.67742. The research hypothesis testing value is presented in the following table.

t-test (Partial Test)

Path coefficients indirect effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
X1 -> Y	0.445	0.440	0.138	3,228	0.001
X2 -> Y	0.338	0.363	0.125	2,710	0.007

Data source processed by SmartPLS 4 (2025)

Based on hypothesis 1: it can be concluded that there is a positive influence of Good Governance (X1) on Fraud Prevention (Y). The test results show a value oforiginal sample (O) of0.445 and **n**yest-statisticas big as3,228> 1.96 andp-valueas big as0,001< 0.05 indicates that the influence isstatistically significantThis means that there is a positive and significant relationship

between good governance and fraud prevention; the higher the value of the good governance variable, the higher the value of the fraud prevention variable.

Based on hypothesis 2: it can be concluded that there is a positive influence of the internal control system on fraud prevention. The test results show a value oforiginal sample (O) of0,338and valuet-statisticas big as2,710> 1.96 andp-valueas big as0,007< 0.05 indicates that the influence isstatistically significant. Thus,internal control systemalso makes a significant contribution in explaining variations in the variablesfraud prevention.

Research hypothesis 3: There is a positive influence of good governance and internal control systems on fraud prevention.

Table 4.*4*

F Test (Simultaneous Hypothesis Test)

	Sum square	df	Mean square	F	P value
Total	4,202,864,849	86	0.000	0.000	0.000
Error	3,514,576,249	83	42,344,292	0.000	0.000
Regression	688,288,600	2	344,144,300	8,127	0.000

Data source processed by SmartPLS 4 (2025)

Simultaneous hypothesis testing was conducted using the SmartPLS application through the F test. The results of the F test in this study can be seen in the table. It is known that the P value is 0.000 < the significance level of 0.05, or the calculated f> than the table f, namely the calculated f is8,127 > f table is 3.95 so thatinternal control system for fraud preventionsimultaneously has a significant effect on fraud prevention in BUMDes in Kabila Bone District.

Discussion

In this discussion, the results of empirical testing on each problem statement and hypothesis are analyzed using a descriptive and verification approach, which are then linked to the theory and findings from previous research outlined in the literature review. The discussion is based on data from the questionnaire answered by respondents and supported by the results of interviews conducted. These interviews aimed to strengthen the questionnaire findings and provide input as a basis for formulating solutions to the problems studied.

The Influence of Morality on Fraud Prevention (X1 -> Y)

Application of the principles*good governance*has a positive and significant influence on fraud prevention efforts. This finding is in line with the contingency theory proposed byby Lawrence, P. R., & Lorsch (1967),which emphasizes that situational factors in this context, good governance plays an

important role in increasing the effectiveness of fraud prevention, especially in Village-Owned Enterprises (BUMDes) in Kabila Bone District, Bone Bolango Regency, Gorontalo Province.

Several studies that support this research include those by Putri, A., & Pratiwi (2021) who conducted a study on BUMDes in Sleman Regency, showing that the implementation of*good governance*significantly influence fraud prevention efforts, especially from the elements of transparency and accountability which are the dominant indicators that prevent fraud in BUMDes operations. In addition, in the study of Rahmawati, A., & Saputra (2022), they analyzed the government sector and showed that the implementation of the principles of*good governance*(transparency, participation, accountability, and the rule of law) have a strong correlation with a low potential for fraud. Therefore, good governance strengthens internal control systems and an organizational culture that is free from corruption.Improving Integrity on the part of BUMDesand principles*responsibility* And *integrity*deep*good governance*BUMDes administrators are required to maintain high ethical standards and act in accordance with regulations. This creates a cleaner organizational culture and upholds the value of honesty.

The Influence of Internal Control Systems on Fraud Prevention (X2 -> Y)

The implementation of an internal control system has a positive and significant impact on fraud prevention efforts. This finding aligns with the contingency theory proposed by Lawrence, P. R., & Lorsch (1967), which states that situational factors, in this case the internal control system, play a crucial role in increasing the effectiveness of fraud prevention. The context of this research specifically focuses on Village-Owned Enterprises (BUMDes) in Kabila Bone District, Bone Bolango Regency, Gorontalo Province, which indicates that strengthening the internal control system is an important strategy in suppressing the potential for fraud at the village institutional level.

Several recent studies provide empirical support that aligns with the findings of this study, that the internal control system has a positive and significant effect on fraud prevention efforts in Village-Owned Enterprises (BUMDes). Research by Putra, G. A., Artawan, I. G. A., & Dewi, (2024) shows that individual morality and the internal control system are significantly able to minimize the potential for fraud in BUMDes Amertha, Patas Village. Furthermore, Luh Tusna Putri Darmayanti & Nyoman Ari Surya Darmawan, (2024) found that the application of good governance principles, internal control systems, and compensation suitability contribute positively to fraud prevention in BUMDes fund management in Sawan District. Research conducted by Widyawati, N. P. A., Sudiksa, I. B. P., & Agustini (2024) in Buleleng Regency also strengthens these findings, by showing that the internal control system, organizational culture, and human resource competency significantly influence fraud prevention, with good governance as an intervening variable.

Meanwhile, Sucipta and Sucipta, W. G. A., & Dewi (2023) revealed that the internal control system has a significant partial influence on fraud prevention in BUMDes in Kintamani District. Research by Asmaranti and Nuswantara (2023) also supports this finding, finding that the internal control system and the competence of the Village Consultative Body (BPD) contribute significantly to fraud prevention efforts, with a model strength of 68.9%. Overall, these various studies confirm that the internal control system is a crucial strategic element in minimizing the risk of fraud, especially in the context of village institutions such as BUMDes. The results of this study can be used as a basis for designing policies to strengthen BUMDes institutions, including in terms of drafting regulations that require the implementation of a standardized internal control system and regular evaluation of its implementation. Thus, efforts to eradicate fraud at the village level can be carried out systematically and sustainably.

The Influence of Good Governance and Internal Control Systems on Fraud Prevention (X1, X2 -> Y)

Variables*good governance*and the internal control system simultaneously have a positive and significant effect on fraud prevention efforts. This finding is in line with the contingency theory proposed byby Lawrence, P. R., & Lorsch (1967) which emphasizes that organizational effectiveness is influenced by the fit between internal structure and external environmental conditions. In this context,*good governance*and internal control systems are situational factors that play a strategic role in increasing the effectiveness of village organizational management, particularly in efforts to minimize the risk of fraud. This research was specifically conducted on Village-Owned Enterprises (BUMDes) in Kabila Bone District, Bone Bolango Regency, Gorontalo Province, which illustrates that strengthening governance and internal control systems is an important step in creating clean, transparent, and accountable governance at the village institutional level.

Several recent studies provide empirical support that is consistent with the findings in this study, that*good governance*and internal control systems play a significant role in fraud prevention efforts, particularly in public sector organizations at the village level. Research by Putra, S. K., & Irawan (2024) found that good governance and internal control significantly contributed to fraud prevention at BUMDes Amertha, Patas Village. Furthermore, research byLuh Tusna Putri Darmayanti & Nyoman Ari Surya Darmawan, (2024)shows that the application of the principle*good governance*, internal control, and appropriate compensation simultaneously have a positive effect on preventing fraud in managing BUMDes funds.Widyawati, N. P. A., Sudiksa, I. B. P., & Agustini (2024)also strengthens these findings by proving that internal control systems, organizational culture, and HR competencies directly and indirectly through good governance influence fraud prevention.

Furthermore,Sucipta, W. G. A., & Dewi (2023) and Asmaranti, Y., & Nuswantara (2023) also provided evidence that internal control and the quality of village institutions, including the role of the BPD, significantly influence fraud prevention. These findings indicate that efforts to strengthen governance and internal control systems are not only normative, but have a strong empirical basis as an effective strategy in creating BUMDes management that is transparent, accountable, and free from fraudulent practices.

E. CONCLUSION

This study demonstrates that good governance and internal control systems are crucial factors in strengthening fraud prevention in Village-Owned Enterprises (BUMDes) in Kabila Bone District, Bone Bolango Regency. The implementation of good governance, reflected in accountability, participation, transparency, and legal certainty, contributes positively to strengthening fraud prevention. These findings demonstrate that open, accountable, and participatory governance can reduce the potential for irregularities in BUMDes management.

Internal control systems have also been shown to contribute positively to fraud prevention. Controls implemented through the control environment, risk assessment, control activities, information and communication, and monitoring can strengthen oversight mechanisms and reduce the potential for irregularities in BUMDes management.

Overall, this study shows that fraud prevention in village-owned enterprises (BUMDes) cannot rely solely on internal controls but must be supported by good governance. In this research model, both variables explained 51.5% of the variation in fraud prevention, indicating that strengthening governance and internal control is a crucial component of building transparent, accountable, and integrity-based BUMDes management. However, other factors beyond the model have the potential to explain fraud prevention.

REFERENCES

Adi Sucipta, W. G. (2022). (2022). Pengaruh Pengendalian Internal, Good Corporate Governance (GCG) Dan Budaya Organisasi Terhadap Pencegahan Fraud Pada Bumdes Di Kecamatan Kintamani. *Universitas Pendidikan Ganesha*, *1*(1).

Albrecht, W. S., Albrecht, C. C., Albrecht, C. O., & Zimbelman, M. F. (2012). (2012). *Fraud examination (4th ed.)*. South-Western Cengage Learning.

Arens, A. A., Elder, R. J., & Beasley, M. S. (2014). *Auditing and assurance services: An integrated approach (15th ed.)*. Pears.

Asian Development Bank. (1999). *Governance: Sound development management.:*

Asmaranti, Y., & Nuswantara, D. A. (2023). *Pengaruh good corporate governance terhadap*

pencegahan kecurangan (fraud) dalam organisasi sektor publik.

BPKP. (2023). *Pedoman evaluasi akuntabilitas kinerja instansi pemerintah*.

Fidianatun, A. dan Y. M. (2023). Kecenderungan Kecurangan Pada BUMDes "Semangat Pemuda" Desa Giri Sasak Kecamatan Kuripan Kabpaten Lombok Barat. *Valid Jurnal Ilmiah*, *20*(2).

Hamim Pou. (2021). Hamim Pou. 80% Bumdes di Bone Bolango tidak jalan. *Https//Infopublik.Id/Kategori/Nusantara.2021*. https//infopublik.id/kategori/Nusantara.2021

Hery. (2016). *Audit: Teori dan praktik.* Grasindo.

Komite Nasional Kebijakan Governance. (2008). *Komite Nasional Kebijakan Governance. Pedoman Umum Good Corporate Governance Indonesia.*

Lawrence, P. R., & Lorsch, J. W. (1967). (1967). *Organization and environment: Managing differentiation and integration.* Harvard Business School Press.

Luh Tusna Putri Darmayanti & Nyoman Ari Surya Darmawan. (2024). Pengaruh Good Corporate Governance, Pengendalian Internal dan Kesesuaian Kompensasi Terhadap Pencegahan Kecurangan (Fraud) dalam Pengelolaan Dana BUMDes. *Jurnal Riset Akuntansi Dan Bisnis*, *13*(2).

Lukviarman. (2016). *Etika bisnis: Tinjauan dari berbagai aspek*. Salemba Empat.

Pedneault, S., Sheetz, M., Silverstone, H., & Rudewicz, F. (2010). *Forensic accounting and fraud investigation for non-experts (2nd ed.).* John Wiley & Sons.

Putra, G. A., Artawan, I. G. A., & Dewi, A. A. S. R. (2024). Pengaruh moralitas individu dan sistem pengendalian internal terhadap pencegahan kecurangan pada BUMDes Amertha, Desa Patas. *Jurnal Ilmiah Hukum Dan Akuntansi*, *6*(1). https://ejourna

Putra, S. K., & Irawan, A. D. (2024). (2024). Implementation of good governance in the provincial government of the Special Capital Region of Jakarta. *The Journal of Socio-Legal and Islamic Law*, *2*(1).

Putri, A., & Nugroho, D. (2021). Integrasi Tata Kelola dan Pengendalian Internal dalam Membangun Sistem Keuangan Desa yang Bebas Korupsi. *Jurnal Tata Kelola Dan Audit*, *5*(2). https://ejournal.uksw.edu/juses/article/view/12359

Putri, A., & Pratiwi, D. (2021). (2021). Pengaruh good governance terhadap pencegahan kecurangan di sektor publik. *Jurnal Akuntansi Dan Auditing Indonesia*, *52*(2).

Rahmawati, A., & Saputra, K. (2022). Implementasi prinsip good governance dalam mencegah kecurangan di sektor pemerintahan. *Jurnal Tata Kelola Dan Akuntabilitas Keuangan Negara*, *8*, 1.

Sari, R. A. (2019). Pengaruh Good Governance terhadap Pencegahan Fraud dalam Pengelolaan Keuangan Desa. *Jurnal Ekonomi Dan Administrasi Publik*, *15*(2). https://d1wqtxts1xzle7.cloudfront.net/103627135/2011070608

Sucipta, W. G. A., & Dewi, N. A. W. T. (2023). Pengaruh good governance, pengendalian internal, dan budaya organisasi terhadap pencegahan fraud pada BUMDes di Kecamatan Kintamani.

Jurnal Akuntansi Publik, *10*(2*Jurnal Akuntansi Publik*, *10*(2). https://ejournal.undiksha.ac.id/index.php/JAP/article/view/42059

Susanto, A. (2013). *Sistem informasi akuntansi: Struktur, kontrol, risiko, pengembangan*. Lingga Jaya.

Tunggal, A. W. (2012). *Audit internal.* Harvarindo.

Usman. (n.d.). Optimization of the Role of Internal Auditors in Fraud Prevention: Local Culture as a Moderating Variable. *Society*, *12*(2).

Wahyudi, T., & Prasetyo, A. (2020). Efektivitas Sistem Pengendalian Internal dalam Mencegah Kecurangan di Lembaga Publik Tingkat Desa. *Jurnal Akuntansi Pemerintahan*, *6*(3). https://online-journal.unja.ac.id/JAR/article/view/13546

Widyawati, N. P. A., Sudiksa, I. B. P., & Agustini, K. (2024). Peran tata kelola pemerintahan dalam memediasi pengaruh sistem pengendalian internal, budaya organisasi dan kompetensi SDM terhadap pencegahan fraud. *Jurnal Akuntansi Universitas Pendidikan Ganesha*, *14*(1). https://ejournal.undiksha.ac.id/index.php/S1ak/article/view/49868