

DOI: <https://doi.org/10.38035/dijefa.v6i6><https://creativecommons.org/licenses/by/4.0/>

The Effect of Morality, Whistleblowing and Internal Control Systems on Fraud Prevention in Village Fund Management: The Moderating Factor of Leadership Style

Muhammad Fajran^{1*}, Abdul Rohman², Abellinda Preacyllia³

¹Universitas Diponegoro, Jawa Tengah, Indonesia, muhammadfajran21@students.undip.ac.id

²Universitas Diponegoro, Jawa Tengah, Indonesia, abdulrohman@lecturer.undip.ac.id

³Universitas Diponegoro, Jawa Tengah, Indonesia, abellindapreacyllia@students.undip.ac.id

*Corresponding Author: muhammadfajran21@students.undip.ac.id¹

Abstract: The purpose of this study is to gather empirical evidence on how civil servant morality, misconduct reporting systems, and internal control systems influence the prevention of fraud in village fund management, with situational leadership style as a moderating variable. This study took a quantitative approach, using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method. The sample included 329 village officials from Kerinci Regency, Jambi Province, who were chosen using a multistage sampling process. The findings revealed that while whistleblowing had no substantial influence on fraud prevention, village officials' morality and internal control systems did. Although internal control mechanisms had a smaller influence on fraud prevention, situational leadership styles boosted the effectiveness of whistleblowing. This study underlined the need of moral integrity, effective internal control, and flexible leadership styles in preventing fraud in village fund management.

Keywords: Morality, Whistleblowing, Internal Control System, Leadership Style, Fraud Prevention, Village Funds.

INTRODUCTION

Government Regulation No. 6 of 2014 concerning village funding sourced from the state revenue and expenditure budget (APBN). One of the government's efforts to promote equitable village development, strengthen the village economy, and improve community welfare is through village funds. This is in accordance with the provisions of Village Law No. 8 of 2016 concerning Village Governance, which grants greater authority to village communities, enabling them to develop into independent villages (Warta Ekonomi, 2019). As the government institution closest to the community, villages play an important role in implementing development that directly supports the economic growth of a region. Villages are government institutions that represent social unity and are an important part of the nation's way of life (Wahyudi et al., 2022). Through the village fund program, the Indonesian government seeks to

advance equitable development and enhance the wellbeing of rural communities. The village fund (APBN) in the national budget is estimated to reach Rp 71 trillion by 2025 (Ministry of Development and Resettlement of Rural and Disadvantaged Areas, 2025). However, this significant increase in funding has not been accompanied by good governance and oversight, giving rise to the risk of misuse of funds and fraudulent practices (Kartiko Kusumo & Achmad et al, 2022)

Data from Indonesian Corruption Watch (2024) shows that the village sector ranks highest in corruption cases handled by law enforcement agencies, with a significant upward trend in state losses since 2020. In Kerinci District, several cases such as those in Balai Village and Koto Duo Baru Village show financial irregularities in the village amounting to hundreds of millions of rupiah (Metrojambi, 2021). The Corruption Eradication Commission (2018) identified four primary reasons why corruption is so prevalent in villages: (1) lack of public knowledge about village budgets, (2) suboptimal role of the Village Consultative Body (BPD) in oversight, (3) lack of budget transparency, and (4) low competence of village heads and their staff. Therefore, a fraud prevention strategy is needed that emphasises morality, a system for reporting violations (whistleblowing), and an internal control system.

Fraud prevention must be carried out early on, because the longer fraud is left unchecked, the greater and more difficult to overcome the potential losses, especially those of a material nature, will be. Brianta Ginting et al., (2023) emphasise that delays in addressing fraud not only magnify the financial impact but also have the potential to cause significant losses that can undermine public trust and organisational stability. The implementation of effective preventive measures is crucial to prevent fraud from escalating to a more severe level. The KPK, through its national corruption prevention strategy (Stranas PK), has compiled fifteen priority actions, one of which is related to strengthening village governance. In order to enhance financial oversight at the village level, Stranas PK also suggests that the Ministry of Home Affairs require the implementation of a village financial monitoring system (Siswakeudes) (KPK, 2025).

Based on Heider's attribution theory (1958), fraudulent behaviour can be explained through both external (such situational pressure or circumstances that affect an individual's behavior) and internal (like personality, character, and behavior). In the meantime, pressure, opportunity, and rationalization are the reasons behind fraud, according to Cressey's fraud triangle theory (1954). Enhancing personal morality and organizational control systems can help prevent. (Wahyudi et al., 2022).

Previous research by Sara et al. (2023) and Maifizar et al. (2021) demonstrated that morality has a favorable impact on preventing financial fraud in villages. On the other side, Sarwati et al. (2021) discovered that morality has a detrimental impact on preventing financial fraud in villages. Furthermore, Adi Adi et al. (2020) found that morality had a detrimental impact on preventing financial fraud in communities. proves that whistleblowing systems are effective in preventing fraud because they enable early reporting of irregularities. However, (Budiman et al., 2022) present different findings, stating that whistleblowing systems do not have a significant effect due to the low level of protection for whistleblowers and an organisational culture that does not support the reporting of violations. Meanwhile, research by (Wahyudi et al., 2021) shows that internal control systems play an important role in preventing fraud in local government. Effective implementation of controls can reduce the likelihood of budget irregularities. However, research by (Hayati & Amalia, 2021) states that internal control systems have no influence on fraud prevention. Furthermore, research by Wijayanti et al., (2020) emphasises that an integrity-based leadership style can strengthen anti-fraud behaviour by creating a transparent and accountable work environment. However, research conducted by (Taufik & Nasir, 2020) , in line with research by Rahmantari and Novianti (2017), states that the leadership style of superiors has no effect on fraud.

Previous study on how to reduce village budget theft has been uneven. For example, the preceding review of past research findings yielded varied outcomes. This stimulates more investigation into the factors influencing village fund theft prevention. This paper mentions Adi et al.'s (2020) study on the relationship between competence, morality, and the notification of infractions in reducing village budget theft. However, the independent factors, moderator variables, and research objectives of this study are distinct from those of earlier studies.

Following the preceding discussion, this study employs situational leadership style as a moderating variable to evaluate the impacts of morality, whistleblowing, and internal control systems on fraud prevention in village fund administration.

Attribution Theory

Attribution theory was first proposed by Heider (1958), a German psychologist. According to Heider, there are three things that underlie the process of attribution, namely: 1. The behavior must be visually observable. 2. One must believe that the behavior was intentional. 3. Determine whether the other person was pressured into engaging in the conduct. This attribution theory is used to develop an explanation of how to assess individuals differently, depending on the meaning associated with a particular behaviour. Essentially, this theory explains the causes of others' behaviour or one's own behaviour, which can be determined either internally, such as traits, character, and behaviour, or externally, such as situational pressure or circumstances that influence individual behaviour (Robbins & Judge, 2013).

Fraud Triangle Theory

The fraud triangle theory, initially presented by Cressey in 1953 (Mui & Mailley, 2015), is the most widely held view of fraud. According to this idea, pressure, opportunity, and rationalization are the three primary causes of deception. According to Cressey, these three components are inherent in all fraud scenarios and are congruent with the idea of the fraud triangle.

A person's willingness or intention to act in accordance with what is right in their heart is known as morality. A person's level of morality is determined by the extent of their desire to act in an honest, moral, and honourable manner (Susandya et al., 2022). A higher level of morality will increase the likelihood of individuals prioritising the public interest over their personal interests (Wahyudi et al., 2022). This is consistent with Attribution Theory, which states that morality and other internal characteristics are very important in determining what is right and wrong. (Susandya et al., 2022). This is consistent with studies by Wahyudi et al. (2021), Saputra et al. (2020), Sara et al. (2023), and Maifizar et al. (n.d.). This suggests that morality has a favorable impact on preventing village budget fraud. As a result, the following theory is put forth:

H1: Morality has a positive effect on the prevention of village fund fraud

The act of disclosing information about violations occurring in a company that cause losses to the government is known as whistleblowing. This disclosure is carried out by those who prioritise the public interest over their own interests (Sujana et al., 2020). An effective whistleblowing system is expected to encourage employees and the public to become more involved in fraud prevention (Chairi et al., 2022). According to a study conducted by Saputra et al. (2020); (Chairi et al., 2022), and (Wahyudi et al., 2022), which states that whistleblowing has a positive effect on fraud prevention. This shows that the more successful the violation reporting system is implemented, the greater the prevention of fraud. Based on this, The offered hypotheses are as follows.

H2: Whistleblowing has a positive effect on the prevention of village fund fraud.

Internal control systems are designed to prevent fraud, which is a major factor in corruption, by improving and establishing good internal controls (Ulum et al., 2022). This is in line with the attribution theory proposed by Heider (1958), which explains that a person will assess an individual's behaviour based on causes that are considered to originate from internal factors (such as character, moral values, and responsibility) or external factors (such as situational pressure or organisational systems) (Robbins & Judge, 2013). Implementing an internal control system in this situation can be seen as an external organizational component that molds individual behavior to adhere to relevant standards and procedures. Moreover, pressure, opportunity, and rationalization are the reasons behind fraud, according to Cressey's 1953 Fraud Triangle Theory (Mui & Mailley, 2015). According to Dharmawati et al. (2022), opportunity is the one of these three factors that is easiest to manage by putting in place a sufficient internal control system. In light of this, the following theory is put forth:

H3: Internal control systems have a positive effect on fraud prevention.

The morality of civil servants is the ethical values and honesty that form the basis for individuals in carrying out their public responsibilities professionally. Civil servants with high morality will have the moral awareness to avoid deviant behaviour and be more oriented towards the interests of society. However, this morality needs to be reinforced by the right leadership style so that these values can be realised in concrete actions. Leaders with good leadership styles are able to set an example, motivate, and instil values of honesty in every aspect of organisational management (Tungga Atmadja et al., 2019) & (Sujana et al., 2020). Based on Heider's attribution theory (1958), the behaviour of officials is determined by internal factors such as morality and external factors such as leadership. In this context, effective leadership can strengthen the expression of moral values in concrete actions to prevent fraud. In the meantime, leaders with integrity can decrease opportunity factors and rationalization by creating an ethical and transparent business culture, according to Cressey's (1953) fraud triangle hypothesis. Therefore, the relationship between official morals and fraud prevention is strengthened by effective leadership. In light of this, the following theory is put forth:

H4: Leadership style moderates the influence of civil servant morality on fraud prevention in village fund management.

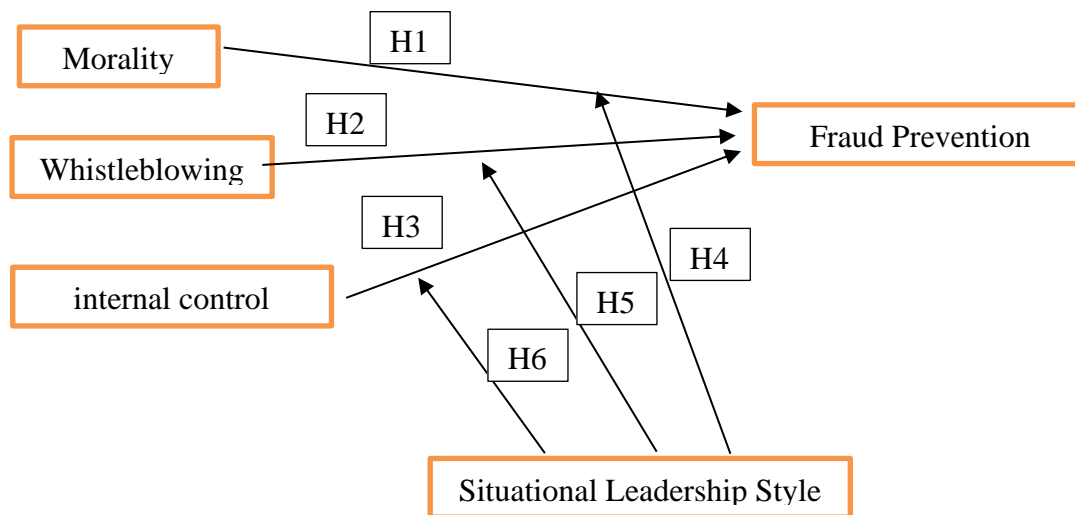
By giving officials a safe way to report infractions, a whistleblowing system is a crucial tool in the fight against fraud. However, its effectiveness is highly dependent on support and leadership style. Leaders who are open, communicative, and protect whistleblowers will foster a sense of security and encourage officials to report violations. Conversely, leaders who are authoritarian or unresponsive to reports of violations will weaken the whistleblowing function (Mattayang et al., 2019). According to attribution theory, the whistleblowing system is an external factor that encourages honest behaviour, but its success is determined by the environment and the behaviour of leaders. Leaders who foster a sense of trust will strengthen the courage of officials to report fraud. From the perspective of fraud triangle theory, the whistleblowing system plays a role in reducing opportunity by increasing supervision, while good leadership styles reinforce this function by enforcing transparency and accountability. In light of this, the following hypothesis is put forth:

H5: Leadership style moderates the influence of the whistleblowing system on fraud prevention in village fund management.

Internal control systems are critical instruments for ensuring that village funds are managed in accordance with regulations and accountability requirements. However, the performance of such systems is heavily reliant on how leaders supervise and monitor their use. Leaders with a firm, devoted, and powerful leadership style are more likely to build internal

control systems and improve employee compliance with related processes. Good leadership is also capable of creating a work environment that supports discipline and continuous supervision (Wijayanti et al., 2020) the framework of attribution theory, leadership is an external factor that reinforces positive behaviour among officials in carrying out internal control responsibly. Meanwhile, according to fraud triangle theory, effective leadership can reduce the opportunity and rationalisation for fraud through the implementation of clear supervision and sanctions. Thus, leadership style is likely to improve the efficiency of internal control measures in preventing fraud. Based on this, we suggest the following theory.

H6: Leadership style moderates the influence of internal control systems on fraud prevention in village fund management.



Source: Research Results, 2025
Figure 1. Conceptual Framework

METHOD

This study utilised statistical tests and collected data using questionnaires as a measuring tool. The study population comprised of all village administrators in Kerinci District, with 329 respondents chosen through a multistage selection process. In the first stage, cluster sampling was used with sub-districts as clusters, where each selected sub-district represented the research area. The second stage was conducted using simple random sampling to determine the sample villages from each sub-district. Data were gathered using a questionnaire on a Likert scale of 1 to 5. Data were analyzed using structural equation modeling-partial least squares (SEM-PLS) and SmartPLS 4.0 software. The capacity of partial least squares to deal with a large number of independent variables, even when there is multicollinearity among them, is a significant benefit. An inner model equation (structural model) and an outer model equation (measurement model) make up the SEM-PLS equation model used in this investigation (Ghozali and Latan, 2015).

Table 1. Operational Variables

Variable	Measurement Indicator	Source
Morality	An employee's awareness of the responsibilities of an entity.	(Rahimah et al., 2018)
	The values of honesty and ethics.	
	Comply with all rules applicable within the institution.	
	Individual attitudes towards dishonest behaviour.	
Whistleblowing	Perceptions regarding the benefits of implementing a whistleblowing system	(Susandya et al., 2022)
	Effectiveness of whistleblowing system implementation	

		Whistleblowing reporting system	
		Protection for whistleblowers	
Internal Control System	Control	Regulatory Implementation	(Wahyudi et al., 2021)
		Organisational structure and leadership	
		Control and Supervision	
		Documentation and Information	
Situational Leadership Style		<i>Telling</i> (Instruktif)	(Basudewa & Asri Dwija Putri., 2020)
		<i>Selling</i>	
		<i>Participating</i>	
		<i>Delegating</i>	
Fraud Prevention		<i>Fraud awareness</i>	(Wahyudi et al., 2021)
		Transparency	
		Democratic	
		Self-management and Participatory	
		Accountable	

Source: Research data, 2025

RESULTS AND DISCUSSION

Results

Respondent Profile

During data collection for this study, questionnaires were completed by each village official, as detailed in Table 2. Of all the questionnaires distributed, 329 were returned. Based on the questionnaire data, the survey participants' profiles are provided below.

Table 2. Respondent Profile

No	Respondent Demographics	Frequency	%
1	Gender		
	1.1 Male	246	74.77%
	1.2 Formale	83	25.23%
2	Latest Education		
	2.1 SMA/SMK/MA	173	52.58%
	2.2 Diploma/Bachelor's Degree (D3/S1)	156	47.42%
3	Length of Service		
	3.1 1 – 5 years	232	70.52%
	3.2 5 – 10 years	97	29.48%

Source: Research data, 2025

Based on Table 2, the majority of respondents were male, with a total of 256 people, representing 74.77%. Most of them have completed high school, a trade school, or an Islamic high school, with 173 people representing 52.58%, while in terms of length of employment, the majority had worked for 1-5 years, with 232 people representing 70.52%.

Discussion

Evaluation of the Measurement Model (Outer Model)

There is undoubtedly a reason to evaluate a measurement model; in other words, the external model seeks to ascertain the model's validity and dependability. The reliability of the composite block of indicators and Cronbach's alpha coefficient are measured, and the convergent and discriminant validity of these indicators—which together form a latent construct—are tested in order to evaluate the external model based on reflective indicators (Ghozali, 2015:73).

1. Outer Model Validity

Indicators are considered valid if the loading factor value reaches or exceeds 0.7 (Hair et al., 2017). The findings are presented in the table below.

Table 3. Outer Loading Construct Results

Construction	Indicator	Outer Loading
Morality	X1.1	0.903
	X1.2	0.870
Whistleblowing	X2.1	0.866
	X2.2	0.916
	X2.3	0.916
Internal Control System	X3.1	0.924
	X3.2	0.925
Fraud Prevention	Y1	0.953
	Y2	0.954
Leadership Style	Z1	0.718
	Z2	0.788
	Z (GK) x X1 (MA)	1.000
	Z (GK) x X2 (WS)	1.000
	Z (GK) x X3 (SPI)	1.000

Source: Research data, 2025

Based on the table above, the items in this research variable are valid. This is because all items meet the validity criteria with a factor loading value exceeding 0.70.

2. Outer Model Reliability

Table 4. AVE and composite reliability results

	Average Variance Extracted (AVE)	Composite Reliability	Crobach's alpha	Information
X1 (MA)	0.836	0.911	0.805	Reliabel
X2 (WS)	0.852	0.945	0.913	Reliabel
X3 (SPI)	0.976	988	0.975	Reliabel
Z (GK)	0.946	972	0.943	Reliabel
Y (PF)	0.770	870	0.710	Reliabel

Source: Research data, 2025

According to the findings of the construct validity and reliability tests provided in the table above, all variables in this study meet the criteria for convergent validity and high reliability. The average variance extracted (AVE) for each variable is larger than 0.50, indicating that the indicators utilized may explain more than half of the variance in the construct. Furthermore, all components exhibit good internal consistency, as demonstrated by Composite Reliability (CR) test scores greater than 0.70 (Hair et al., 2019).

Structural Model Evaluation (Inner Model)

1. Coefficient of Determination (R2)

Table 5. Determination Coefficient Results

Model Construction	R-square	Adjusted R-square
Y	0.761	0.758

Source: Research data, 2025

The R-square indicator is used to determine the degree to which the independent variable influences the dependent variable, according to Hair et al. (2017). R-square values of 0.25, 0.50, and 0.75 are generally regarded as poor, moderate, and big, respectively. The fraud prevention variable (Y) has an R-squared value of 0.761 and an adjusted R-squared value of 0.758, according to the R-squared test results in the above table. This figure shows

that the factors of official morals (X1), the violation reporting system (X2), the internal control system (X3), and leadership style (Z) account for 76.1% of the variation in fraud prevention in village fund management. Variables not covered by this research model account for the remaining 23.9%.

2. Hypothesis Testing (t-test)

Hypothesis analysis aims to measure the significance of the relationship between constructs using the total effect to assess that significance (Abdillah & Hartono, 2015).

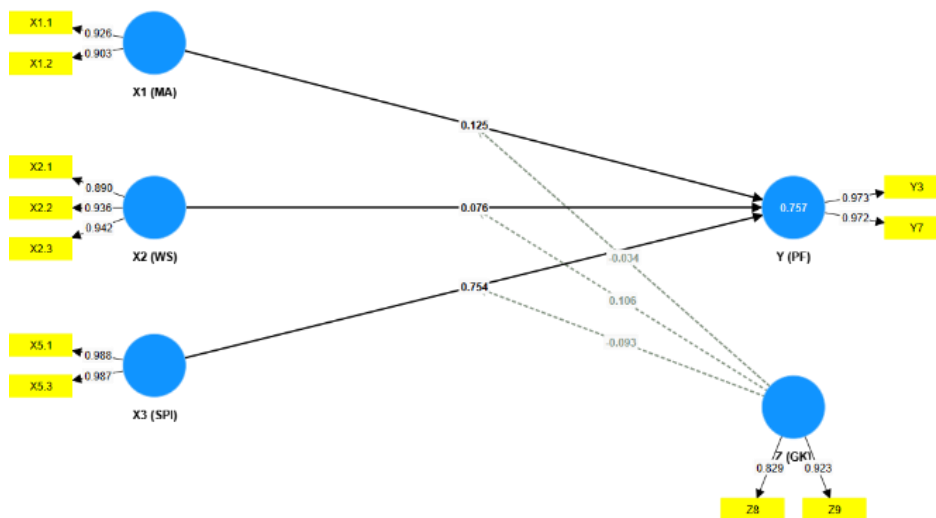


Table. 4 Path Coefficient of Research Constructs

	Original Sample (O)	T statistics (O/STDEV)	P values	Description
X1(MA) -> Y(PF)	0.125	2.146	0.032	Accepted
X2(WS) -> Y(PF)	0.076	1.434	0.152	Rejected
X3(SPI) -> Y(PF)	0.754	16.764	0	Accepted
Z(GK) x X1 (MA) -> Y (PF)	-0.034	0.553	0.580	Rejected
Z(GK) x X2 (WS) -> Y (PF)	0.106	2.110	0.035	Accepted
Z(GK) x X3 (SPI) -> Y (PF)	-0.093	2.607	0.009	Rejected

Source: Research data, 2025

With an initial sample value of 0.125, a t-statistic of 2.146, and a p-value of 0.032 (<0.05), the hypothesis test findings in the accompanying table demonstrate that the civil servant morality variable (X1) has a positive and significant influence on fraud prevention (Y). This suggests that government officials' propensity to stop fraud increases with their morals. Second, the whistleblowing system variable (X2) has no discernible impact on fraud prevention (Y), with a p-value of 0.152 (>0.05). These findings show that local governments have not been able to successfully implement the process of reporting infractions. Third, the internal control system (X3) has a positive and significant impact on fraud prevention (Y), with an initial sample value of 0.754, a t-statistic of 16.764, and a p-value of 0.000. These results indicate that greater implementation of internal control systems will increase the effectiveness of fraud prevention initiatives. Furthermore, the interaction between civil servant morale (X1) and leadership style (Z) on fraud prevention (Y) yields unimpressive results, with a p-value of 0.580 (>0.05) for the moderating variable. This indicates that leadership style does not reduce the influence of civil servant

morale on fraud prevention. Meanwhile, the interaction between leadership style (Z) and the whistleblowing system (X2) on fraud prevention (Y) has a significant positive coefficient (0.106) and a p-value of 0.035 (<0.05). This suggests that the association between the whistleblowing system and fraud prevention is strengthened by the moderating effect of leadership style. Similarly, fraud prevention (Y) is significantly impacted by the interaction between the internal control system (X3) and leadership style (Z), with a negative coefficient (-0.093) and a p-value of 0.009 (<0.05). These findings suggest that the internal control system's ability to prevent fraud is diminished by leadership style.

The Influence of Morality on Fraud Prevention in Village Fund Management

The Original Sample (O) value of 0.125, the T-statistic of 2.146, and the p-value of 0.032 show that the morality of village authorities has a favorable influence on preventing misuse of village finances. This implies that village administrators' propensity to stop financial embezzlement and misuse increases with their morality. This result is consistent with both the fraud triangle hypothesis and the attribution theory. According to attribution theory, a person's behaviour is greatly influenced by internal factors such as moral values, ethics, and personal integrity. Officials with high morality will tend to be responsible for their actions, avoid deviant behaviour, and reject opportunities to commit fraud. They will attribute mistakes not to external circumstances, but to personal moral responsibility that must be upheld. However, pressure, opportunity, and reasoning are the reasons why fraud happens, according to the fraud triangle theory. High moral standards among officials can suppress rationalisation, which is self-justification for committing fraud. Individuals with high moral standards tend not to condone unethical behaviour, even when there is pressure or opportunity to commit fraud. Thus, morality becomes the main defence in controlling the intention to commit fund misuse. Previous research findings are also relevant to this finding. Research conducted by Hayati & Amalia (2021) states that those with low moral standards are more likely to commit accounting fraud, but when moral standards are high, the likelihood of committing accounting fraud is lower.

The Effect of Whistleblowing on Fraud Prevention in Village Fund Management

Data analysis revealed that the hypothesis was rejected, with a P-value of $0.206 > 0.05$. According to statistics, the whistleblower mechanism had no discernible effect on village financial misappropriation licenses. The rejection of this hypothesis suggests that the primary factor affecting the research findings was the low degree of socialization and implementation of the whistleblowing system in the field. Based on Heider's attribution theory (1958), this shows that the behaviour of officials is more influenced by internal factors, such as moral attitudes and motivation, than by external factors in the form of reporting systems. In the meantime, a weak whistleblower system raises the possibility of fraud because of inadequate monitoring and reporting systems. According to a study by Budiman et al. (2022), whistleblowing systems have a detrimental effect on fraud prevention in accordance with Cressey's (1953) fraud triangle theory.

The Influence of Internal Control Systems on Fraud Prevention in Village Fund Management

The findings of the hypothesis test demonstrated that the internal control system helps to avoid fraud in the management of village funds. The p-value was 0.000, the T-statistic was 16.764, and the initial sample value (O) was 0.754. This implies that the possibility of embezzlement and financial misuse is decreased by the efficiency of the internal control system put in place by village officials. This suggests that preventing any fraud at the village government level depends heavily on the internal control mechanism. These findings are

consistent with attribution theory and fraud triangle theory. According to attribution theory, individual behaviour within an organisation is influenced by both internal factors (such as responsibility, work ethic, and integrity) and external factors (such as organisational systems and supervision). When internal control systems are properly implemented through supervision, separation of functions, and accountability policies, individuals within the organisation will be more inclined to act in accordance with expected moral values and work ethics. In other words, a strong system helps direct the attribution of civil servants' behaviour towards a positive and responsible direction. From the perspective of fraud triangle theory, fraud occurs due to pressure, opportunity, and rationalisation. The implementation of an effective internal control system can minimise the opportunity to commit fraud, for example by strengthening inspection mechanisms, internal audits, and transparency in fund management. In addition, internal control can also suppress the rationalisation factor, as clear rules and supervision make it difficult for officials to justify fraudulent actions. Previous studies also support this finding. Koomson's research found that adequate and robust internal control mechanisms in the workplace are one of the most effective ways to reduce workplace fraud (Koomson et al. 2020).

The Influence of Moderate Situational Leadership Style on the Relationship between Morality and Fraud Prevention in Village Fund Management

With a t-statistic of 0.528 and a p-value of 0.598, the data analysis showed that leadership style mediated the association between civil servant morality and corruption prevention in village fund management. The notion that the relationship between civil servant morality and corruption prevention in village fund management is substantially strengthened or weakened by leadership style is not well supported by facts. The rejection of this hypothesis suggests that the relationship between the morality of public officials and the prevention of fraud in village budget administration is not significantly impacted by leadership style. This shows that even when public officials have high moral standards and leaders follow a certain leadership philosophy, there is no discernible interaction effect on attempts to avoid fraud. In other words, regardless of differences in leadership style, civil servant morality has a direct impact on preventing fraud. In the context of Heider's attribution theory (1958), these results reflect that the ethical behaviour of the apparatus is more determined by internal factors, such as moral awareness and personal values, than by external influences in the form of leadership style. These findings suggest that, from the standpoint of Cressey's (1953) fraud triangle theory, leadership variables are insufficient to affect the rationalization and opportunity components in the context of fraud prevention. This can be the result of the village government's leadership styles failing to foster an ethical culture and regular oversight. Additionally, Romadaniati, Taufik, and Nasir's (2020) findings are consistent with Rahmantari and Novianti's (2017) assertion that better leadership style has no effect on fraud.

The Influence of Moderate Situational Leadership Style on the Relationship between Whistleblowing and Fraud Prevention in Village Fund Management

According to data analysis, there is a positive original sample value of 0.120, a t-statistic value of 2.287, and a P-value of 0.022 for the association between the whistleblowing system and fraud prevention in village fund administration, which is moderated by leadership style. This hypothesis is accepted because the findings show that leadership style enhances the impact of the whistleblowing system on fraud prevention in village fund management. According to Attribution Theory, individual behaviour in organisations is not only determined by internal factors such as moral awareness or personal intentions, but also by external factors such as leadership behaviour and the organisational ethical climate. In this situation, an open, encouraging, and ethical leadership style can foster a secure workplace where officials can use

a whistleblower mechanism to disclose signs of fraud. Based on Fraud Triangle Theory, fraudulent acts occur due to pressure, opportunity, and rationalisation. The possibilities and justifications for officials to perpetrate fraud will be diminished by a strong leadership style that maintains integrity and accountability. This is also consistent with research by Dewi & Gayatri (2019) and Pramayoga & Ramantha (2019), which discovered that village heads' leadership style has a major influence on the tasks they do. This suggests that the efficacy and efficiency of village finance management are directly impacted by the leadership style of the village chief.

The Influence of Moderate Situational Leadership Style on the Relationship between Internal Control Systems and Fraud Prevention in Village Fund Management

The t-statistic value for the relationship between internal control systems and fraud prevention in village fund management, moderated by leadership style, was 2.327 with a P-value of 0.020 and an initial sample value of -0.086, according to the data analysis results. This result refutes the notion by demonstrating that leadership style reduces the impact of internal control measures on fraud prevention in village fund administration. Internal control measures have been shown to stop fraud, although this advantage is lessened when leadership style is considered. This situation implies that the existing leadership style has not improved the effectiveness of internal control system implementation in village government settings. Heider's (1958) attribution theory, which highlights how both internal and external influences affect a person's behavior, helps explain these findings. In this situation, the leadership style serves as a catalyst that ought to reinforce the internal control system, which is an external component that governs officials' behavior. However, when the leadership style applied is not in line with the values of organisational supervision and discipline, the effectiveness of the internal control system weakens. Thus, these results indicate that the leadership style in several village administrations has not been optimal in fostering compliance and responsibility among officials towards the applicable control system. From the perspective of Cressey's (1953) fraud triangle theory, an ineffective leadership style can create gaps in the elements of opportunity and rationalisation, which in turn open up opportunities for fraud. Leaders who are indecisive or fail to set an example in enforcing rules tend to weaken internal controls, resulting in inconsistent oversight. These findings are consistent with research conducted by Taufik & Nasir (2020) and Rahmantari & Novianti (2017), which states that the leadership style of superiors has no effect on fraud.

CONCLUSION

The study found that the internal control system and the ethics of village officials greatly enhance the prevention of fraud in village fund management. This implies that the effectiveness of a village's internal control system and the morality of its officials are directly correlated with the village's capacity to prevent fraud. The village government's whistleblowing system, however, had no appreciable impact on stopping fraud, indicating that it is still ineffective due to a lack of publicity, leadership support, and guaranteed protection for whistleblowers. The moderating variable test results show that the association between public servant morals and fraud prevention is not moderated by situational leadership style. This implies that civil servant morality has a direct impact on preventing fraud, independent of differences in leadership style. However, it is evident that a situational leadership approach increases the relationship between fraud prevention and the whistleblower system while reducing the impact of the internal control system.

REFERENCES

- Adi Kurniawan Saputra, K., Subroto, B., Fuad Rahman, A., & Saraswati, E. (2020.). Issues Of Morality And Whistleblowing In Short Prevention Accounting. In *International Journal Of Innovation, Creativity And Change*. *Www.Ijicc.Net* (Vol. 12). www.Ijicc.Net
- Antaranews. (2019). ICW: Village fund corruption cases were the highest in 2018. Retrieved June 1, 2021, from <https://www.antaranews.com/berita/796085/icw-kasus-korupsi-dana-desa-terbanyak-sepanjang-2018>
- Brianta Ginting, D. (N.D.). Analisis Pengaruh Fraud Hexagon Terhadap Fraudulent Financial Reporting Menggunakan Metode Beneish M-Score (Studi Empiris Pada Sektor Industri Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia Tahun 2019-2021). *Diponegoro Journal Of Accounting*, 12(3), 1–15. [Http://Ejournal-S1.Undip.Ac.Id/Index.Php/Accounting](http://Ejournal-S1.Undip.Ac.Id/Index.Php/Accounting)
- Budiman, M., Anwar, C., & Sudjono, S. (2022). Factors Affecting Fraud Prevention And Its Implication To The Quality Of Financial Statements. *Journal Of Applied Finance & Accounting*, 8(1), 1–25. <https://doi.org/10.21512/Jafa.V8i1.6858>
- Chairi, N., Indriani, M., & Darwanis, D. (2022). Kompetensi, Moralitas Dan Sistem Whistleblowing Dalam Pencegahan Fraud: Studi Empiris Pada Organisasi Pemerintahan Indonesia. *Media Riset Akuntansi, Auditing & Informasi*, 22(1), 119–142. <https://doi.org/10.25105/Mraai.V22i1.12655>
- Dharmawati, T., Safaruddin, Kamal, I., Cakranegara, P. A., & Revinzky, M. A. (2022). Mediation Effects Of Fraud Prevention On The Relationship Of Internal Control, Risk Management And Organizational Performance. *Atestasi : Jurnal Ilmiah Akuntansi*, 5(2). <https://doi.org/10.57178/Atestasi.V5i2.123>
- Directorate General of Fiscal Balance, Ministry of Finance of the Republic of Indonesia. (2024, October 29). *Detailed village fund allocation per village FY 2025*. <https://djpk.kemenkeu.go.id/?p=57440>
- Ghozali, I., and H. Latan. 2015. *Partial Least Squares: Concepts, Techniques, and Applications Using the SmartPLS 3.0 Program for Empirical Research*. Semarang: UNDIP Publishing Agency.
- Hayati, N., & Amalia, I. (2021). The Effect Of Religiosity And Moderation Of Morality On Fraud Prevention In The Management Of Village Funds. *The Indonesian Accounting Review*, 11(1), 105–114. <https://doi.org/10.14414/Tiar.V11i1.2297>
- Kartiko Kusumo, W., & Achmad, T. (N.D.). *Effectiveness Of Internal Control System As Early Detection Tool In Fraud Prevention Of Village Fund Management*.
- Komisi Pemberantasan Korupsi. (2025, February 27). *KPK reminds that village funds are vulnerable to misuse if oversight is minimal*. <https://www.kpk.go.id/id/ruang-informasi/berita/kpk-ingatkan-dana-desa-rawan-penyalahgunaan-jika-minim-pengawasan>
- Maifizar, A., Marlina, L., Maulida Vonna, S., & Abdullah, I. (N.D.). The Religious Role Of Leadership Morality In Preventing The Fraud Of Gampong Funds In West Aceh District Pjaaa, 17 (5) (2020) The Religious Role Of Leadership Morality In Preventing The Fraud Of Gampong Funds In West Aceh District. In *Journal Of Archaeology Of Egypt/Egyptology* (Vol. 17, Issue 5).
- Metro Jambi. (2021, January 29). *Village budget corruption: Village head of Koto Dua Baru charged for causing state losses of over Rp758 million*. <https://www.metrojambi.com/hukum/13542280/Korupsi-APBDes-Kades-Koto-Duo-Baru-Didakwa-Rugikan-Negara-758-Juta-Lebih>
- Mui, G., & Mailley, J. (2015). A Tale Of Two Triangles: Comparing The Fraud Triangle With Criminology's Crime Triangle. *Accounting Research Journal*, 28(1), 45–58. <https://doi.org/10.1108/Arj-10-2014-0092>

- Rahmantari, A., & Novianti, N. (2017). The influence of law enforcement, compensation suitability, effectiveness of internal control, organizational justice, and leadership style on fraud tendencies (Case study on regional government work units of Sidoarjo Regency) (Undergraduate thesis, Universitas Brawijaya). Retrieved from <https://current.ejournal.unri.ac.id>
- Robbins, S. P., & Judge, T. A. (2013). *Organizational behavior*. Publisher. Retrieved from https://books.google.com/books/about/Organizational_Behavior.html
- Sara, I. M., Udayana Putra, I. B., Kurniawan Saputra, K. A., & Jaya Utama, I. W. K. (2023). Financial Literacy, Morality, And Organizational Culture In Preventing Financial Mismanagement: A Study On Village Governments In Indonesia. *Cogent Business And Management*, 10(1). <https://doi.org/10.1080/23311975.2023.2166038>
- Sujana, I. K., Suardikha, I. M. S., & Laksmi, P. S. P. (2020). Whistleblowing System, Competence, Morality, And Internal Control System Against Fraud Prevention On Village Financial Management In Denpasar. *E-Jurnal Akuntansi*, 30(11), 2780. <https://doi.org/10.24843/Eja.2020.V30.I11.P06>
- Susandya, A. A. P. G. B. A., Putra, M. D. P., Bagiana, I. K., Cahyani, M. R., & Aristanti, I. A. P. M. P. (2022). Determinan Pencegahan Kecurangan Dalam Alokasi Dana Desa. *Jurnal Reviu Akuntansi Dan Keuangan*, 12(3), 659–671. <https://doi.org/10.22219/Jrak.V12i3.22363>
- Taufik, T., & Nasir, A. (2020). Bilancia: Jurnal Ilmiah Akuntansi The Influence Of Village Aparature Competence, Internal Control System And Whistleblowing System On Fraud Prevention In Village Government With Individual Morality As Moderated Variables (Study In Villages In Bengkalis District). In *Jurnal Ilmiah Akuntansi* (Vol. 4, Issue 3). <http://www.ejournal.pelitaindonesia.ac.id/ojs32/index.php/bilancia/index>
- Tungga Atmadja, A., Adi Kurniawan Saputra, K., & Manurung, D. T. (2019). Proactive Fraud Audit, Whistleblowing And Cultural Implementation Of Tri Hita Karana For Fraud Prevention. In *European Research Studies Journal: Vol. Xxii* (Issue 3).
- Ulum, S. N., Kartika, D., & Suryatimur, P. (N.D.). *Peran Sistem Pengendalian Internal Dan Good Corporate Governance Dalam Upaya Pencegahan Fraud*. <https://doi.org/10.37641/Jiakes.V10i1.1328>
- Wahyudi, S., Achmad, T., & Pamungkas, I. D. (2021). Village Apparatus Competence, Individual Morality, Internal Control System And Whistleblowing System On Village Fund Fraud. *Wseas Transactions On Environment And Development*, 17, 672–684. <https://doi.org/10.37394/232015.2021.17.65>
- Wahyudi, S., Achmad, T., & Pamungkas, I. D. (2022). Prevention Village Fund Fraud In Indonesia: Moral Sensitivity As A Moderating Variable. *Economies*, 10(1). <https://doi.org/10.3390/Economies10010026>
- Wijayanti, P., Machmuddah, Z., & Nurmilasari, E. (N.D.). The Importance Of Digital Supervision Infrastructure: Fraud Prevention In Village Governments. In *International Journal Of Innovation, Creativity And Change*. *Www.Ijicc.Net* (Vol. 13, Issue 8). [Www.Ijicc.Net](http://www.ijicc.net)