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Accounting's Role for Preventing Fraud in the Implementation of Village Financial Management

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A B S T R A C T

The increasing allocation of village funds has positioned villages as key actors in local development while simultaneously intensifying the risk of fraud in village financial management. Empirical evidence shows that existing systems and procedures have not fully incorporated fraud risk considerations, particularly at the implementation stage, which is highly vulnerable to misuse. This study aims to examine the role of accounting in preventing fraud in the implementation of village financial management by identifying accounting practices that support transparency, accountability, and effective control. The research employs a qualitative approach with an ethnomethodological method to capture the actual practices, routines, and decision-making processes of village financial management. Data were collected through in-depth interviews with village officials and supervisory authorities, direct observation of financial management systems, and documentation review, and were analyzed using descriptive qualitative techniques. The findings indicate that accounting plays a significant role in minimizing fraud through systematic recording and reporting, strengthening internal control mechanisms, implementing checks and balances via segregation of duties, fostering an ethical organizational culture, and ensuring compliance with applicable regulations. Proper accounting implementation also helps address regulatory changes, transaction complexity, and operational anomalies that are not explicitly regulated

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INTRODUCTION

Public sector financial management has become a central issue in governance reforms worldwide, particularly in the context of decentralization and fiscal autonomy. Many countries have delegated substantial financial authority to local governments with the expectation of improving service delivery and development outcomes; however, this shift has also increased exposure to fraud risks when accountability mechanisms are weak (Hoang, 2024). Prior studies highlight that ineffective accounting systems and fragmented internal controls often undermine transparency and facilitate the misuse of public resources, especially at the operational level (Sikka, 2020; Mulyadi & Indrabudiman, 2025). Consequently, accounting is increasingly viewed not merely as a technical recording tool but as a governance mechanism that supports fraud prevention and public accountability within decentralized public sector systems.

In Indonesia, fiscal decentralization at the village level was institutionalized through the Village Fund Policy Program mandated by Law Number 6 of 2014 concerning Villages. Since its implementation in 2015, village fund allocations have increased substantially, rising from IDR 20.76 trillion in 2015 to IDR 71 trillion in 2025, making village funds the largest source of village revenue derived from intergovernmental fiscal transfers. While this policy aims to accelerate rural development and improve community welfare, several studies indicate that the rapid growth of village budgets often exceeds the managerial and administrative capacity of village institutions (Arham & Hatu, 2020; Udjianto et al., 2020). As a result, village financial management has emerged as a critical area requiring stronger accounting practices and more effective control mechanisms.

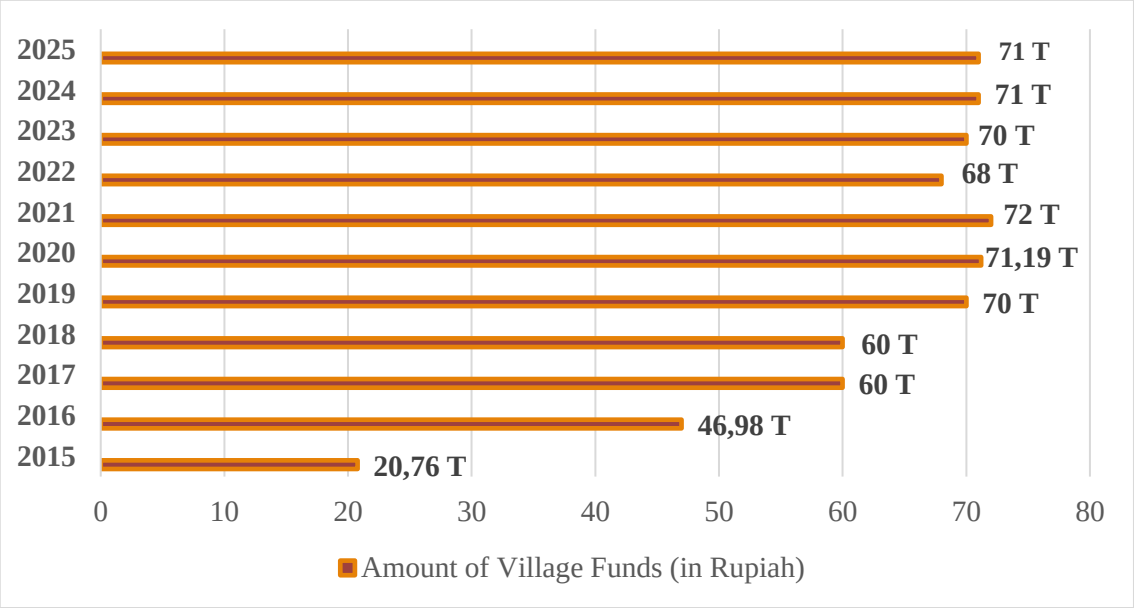


Figure 1. Growth of Village Funds from 2015 to 2025

Despite its developmental objectives, the village fund program has been accompanied by a rising number of fraud and corruption cases in village administrations. Reports show that misappropriation of village funds has caused significant state financial losses, reflecting systemic weaknesses in governance and oversight (Indonesian Corruption Watch, 2024). Public sector fraud literature consistently identifies the implementation stage of financial management as the most vulnerable phase, as it involves direct execution of transactions and fund disbursement (Purba et al., 2022). Fraudulent practices commonly found at this stage include budget mark-ups, fictitious projects, manipulation of activity volumes, and falsified accountability reports, which exploit procedural gaps and weak accounting oversight (Zakariya, 2020; Herdiana, 2019).

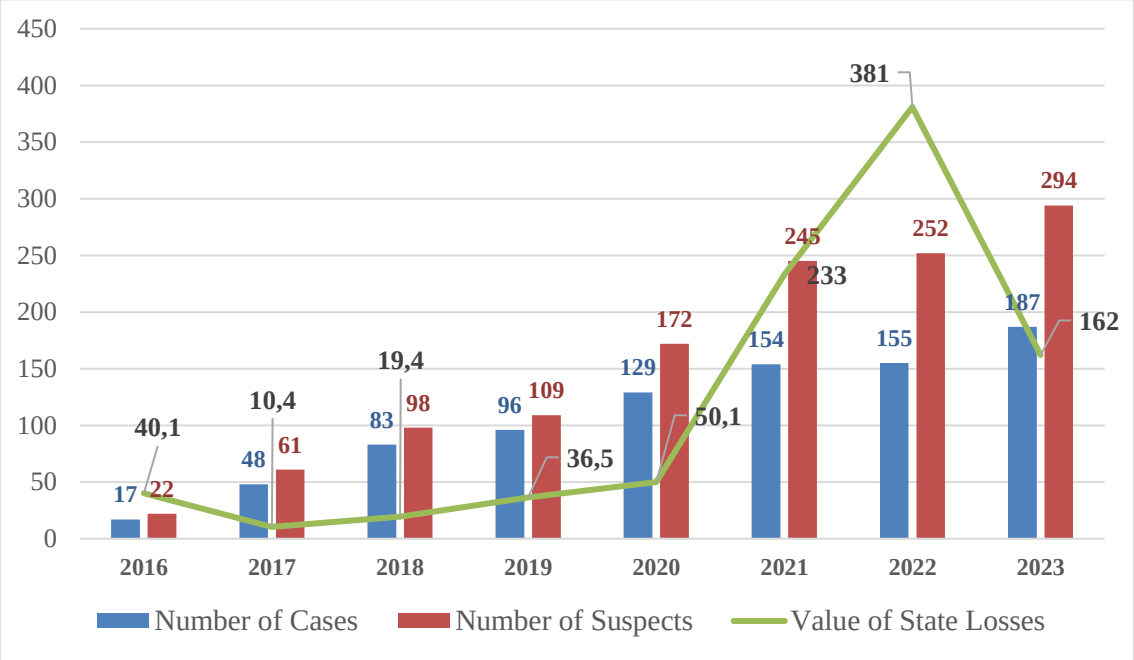


Figure 2. Corruption in Village Administration from 2016 to 2023

Beyond national-level trends, empirical evidence at the local level further demonstrates the vulnerability of village financial management to fraud. In Sidoarjo Regency, several villages have been subject to investigation by law enforcement agencies for alleged misuse of village funds over different fiscal years. These cases indicate that fraud risks are not merely theoretical but manifest in concrete administrative practices at the village level. The recurrence of such cases underscores persistent weaknesses in the implementation stage of village financial management and highlights the importance of effective accounting-based control mechanisms.

Table 1. Alleged Fraud Cases in Village Financial Management in Sidoarjo Regency

Village Administration	Fiscal Year	Investigated By	Media Source
Squirt	2015	District Attorney's Office	Times Indonesia
Rice Fields	2016	City Police	East Java Audit Board
Glagaharum	2016	District Attorney's Office	Radar Surabaya
Ngaban	2017	City Police	Compass
São Paulo	2017	District Attorney's Office	Times Indonesia
Ministry of Tourism	2018–2019	District Attorney's Office	East Java Times
Okinawa	2019–2022	District Attorney's Office	Nusantara Pos Online
Wage	2022	District Attorney's Office	Voice of Indonesia
Tambaksawah	2008–2022	District Attorney's Office	Seconds

Source: Online media reports from 2021–2025 (processed by the author)

Village financial management in Indonesia is formally regulated under Regulation of the Minister of Home Affairs Number 20 of 2018, which divides financial management into planning, implementation, administration, reporting, and accountability stages. However, evidence from both national data and local cases suggests that formal compliance with these regulations does not automatically ensure fraud-free practices. Administrative procedures often fail to fully accommodate transaction complexity, frequent regulatory changes, and diverse local conditions, creating opportunities for discretionary interpretation and manipulation (Wijayanti & Hanaf, 2018; Gustiansyah, 2023). These conditions weaken accountability, reduce transparency, and increase the risk of fraudulent behavior at the implementation stage.

Existing studies on fraud prevention in village financial management have predominantly focused on internal control effectiveness, individual morality, competence of village officials, and whistleblowing mechanisms (Laksmi & Sujana, 2019; Biduri et al., 2022). Although these studies provide important insights, they generally treat accounting as a supporting technical function rather than as an integrated framework for fraud prevention. Limited research has examined how accounting practices—encompassing recording, classification, reporting, and control—operate in real implementation settings to address regulatory dynamics and operational anomalies. This gap indicates the need for

a more practice-oriented and context-sensitive analysis of accounting's role in preventing fraud at the village level.

Responding to this research gap, the present study aims to examine the role of accounting in preventing fraud in the implementation of village financial management. Specifically, this study analyzes how accounting practices contribute to fraud prevention through systematic recording and reporting, strengthening internal controls, enforcing segregation of duties, and promoting ethical governance. In addition, the study seeks to understand how accounting assists village administrations in adapting to frequent regulatory changes and increasingly complex financial transactions. By focusing on the implementation stage, this research provides a contextual and operational perspective that complements prior normative and quantitative studies.

This study contributes theoretically by extending public sector accounting literature through an empirical examination of accounting as a fraud prevention mechanism within decentralized village governance. It emphasizes accounting not only as a compliance tool but also as a strategic instrument that shapes behavior, accountability, and control. Practically, the findings offer guidance for policymakers, supervisory institutions, and village governments in designing accounting-based control systems, improving financial management practices, and developing targeted capacity-building programs. Ultimately, this study supports efforts to strengthen transparency, accountability, and sustainability in village financial management systems (Dillard & Vinnari, 2019; Hoang, 2024).

LITERATURE REVIEW

1. Public Sector Accounting as an Accountability and Anti-Corruption Mechanism

In public sector governance reform, accounting is positioned as an accountability infrastructure that shapes the discipline of budget management and reporting quality, not just an administrative procedure. Cross-country evidence suggests that the adoption of stronger public sector accounting standards correlates with improved governance quality, as it clarifies reporting obligations and strengthens fiscal transparency (Tawiah, 2023). Other findings emphasize that the relationship between accounting standards and corruption control is influenced by institutional contexts, including the capacity for implementation and design of anti-corruption policies, so their effectiveness is not automatic without the support of control and enforcement mechanisms (Benito et al., 2025). Thus, the literature places accounting as an "enabler" of integrity, which works optimally when integrated with a consistent internal control and governance system.

2. Decentralization, Culture of Integrity, and Fraud Risk in Local Government

Fiscal decentralization expands the discretionary space of local decision-makers, which can increase development responsiveness but also magnify the risk of abuse when integrity and oversight norms are weakened. A cross-country study confirms that the "honesty" of public officials and public sector culture are important predictors of corruption rates, even when economic variables are controlled, that is, behavioral factors and organizational norms become significant determinants in addition to incentive design (Sulitzeanu-Kenan et al., 2022). In this context, governance and formal oversight mechanisms are considered necessary to be combined with the strengthening of integrity values that shape daily work habits, since corruption often persists through routine practices and social justifications in organizations.

3. A*ccounting, Governance, and Control Architecture to Suppress Fraud*

The governance review emphasizes that fraud prevention requires a control architecture that makes the opportunities and ability to hide irregularities even smaller. A literature review that maps the role of corporate governance in combating fraud highlights the importance of a combination of mechanisms: separation of functions, independent oversight, and reporting quality that facilitates the detection of anomalies (Kassem, 2022). At this point, accounting acts as a "control language": it standardizes proof of transactions, clarifies authorization flows, and facilitates trail audits. Its relevance to village financial management mainly appears at the implementation stage, because the transaction of realization of activities is the most densely packed space for interaction, negotiation, and discretion, so it requires disciplined recording and classification rules in order to be adequately audited.

4. Fraud Analytics, Digitalization, and Early Detection of Irregularities in Public Sector Transactions

The development of the literature shows a shift from a traditional control approach to data-driven controls, especially in high-volume and repetitive public sector transactions. A systematic review of fraud analytics in public sector transactions confirms that analytics—ranging from red-flagging, anomaly detection, to predictive models—strengthen prevention and detection functions when integrated with neat and consistent transaction data (Alfian et al., 2023). However, the effectiveness of analytics is highly dependent on the quality of accounting inputs (completeness of evidence, accuracy of account classification, consistency of recording time), so strengthening accounting practices remains a core prerequisite. This is in line with the need for village financial management that experiences regulatory dynamics and transaction variations, because without accounting discipline, technology only automates "weak data".

5. The Role of Internal Audit, Internal Control, and Check-and-Balances

Contemporary literature places internal audit as a key actor that bridges control policies with daily operational practices, especially in strengthening procedural compliance and risk evaluation. Studies on public sector governance confirm that a strong internal audit function contributes to fraud prevention through control assessment, follow-up findings, and ongoing risk monitoring (Nadirsyah et al., 2024). In addition, forensic audit practices and specialized auditing techniques are considered effective in increasing the probability of irregularity detection, especially when organizations face capacity limitations and transaction complexity (Tiruneh, 2021). Within the framework of your article, these findings support the argument that good accounting must be combined with segregation of duties, layered checks, and clear authorizations in order for "checks and balances" to actually work at the implementation stage.

6. Village Financial Information System, Information Quality, and Implementation Discretionary Space

At the village level, the financial information system is an important instrument because it regulates the flow of transaction input to reporting, as well as shaping the work habits of the apparatus. Studies on Siskeudes show that system quality, information quality, and service quality are related to user satisfaction and governance achievements, so digitalization has the potential to support governance when accompanied by adequate user capacity and data governance (Indriani et al., 2020). But the methodological literature also reminds that accounting practices "in the field" are not necessarily synonymous with formal system design; routines, rule interpretation, and adaptation to anomalous conditions often shape the results of implementation (Deng, 2023). Therefore, the qualitative–ethnomethodological approach in your study becomes relevant to capture how accounting rules translate into real actions, including the vulnerable points when regulatory changes and unforeseen events open up discretionary space that can be leveraged for fraud.

METHODOLOGY

1. Research Approach and Design

This research uses a qualitative approach with ethnomethodological design, which focuses on an in-depth understanding of social practices and the way in which organizational actors produce meaning in daily activities. This design allows researchers to examine how village financial management is carried out in real practice, not just as regulated in formal regulations. Ethnomethodology is seen as relevant to uncover how accounting procedures, financial systems, and administrative rules are understood, negotiated, and implemented by village officials in an operational context (Garfinkel, 2021). Thus, this approach facilitates an analysis of the role of accounting as a social practice inherent in the dynamics of public sector governance.

2. Population and Informant Selection Techniques

The research population includes all actors who are directly involved in the process of implementing and supervising village financial management in the research area. The selection of informants was carried out using non-probability sampling with purposive sampling techniques, which is based on roles, authority, and levels of involvement in village financial management. The main informants consist of the village head, village secretary, and village officials who are responsible for the financial function. In addition, supporting informants include supervisory and supervisory officials at the regional level, such as the Regional Inspectorate, the Community and Village Empowerment Office, and the sub-district head. This strategy aims to obtain a balanced perspective between implementers and supervisors in the village financial governance system (Palinkas et al., 2020).

3. Data Collection Techniques

Data collection is carried out through semi-structured in-depth interviews, direct observation, and documentation to ensure the richness and depth of information. The interviews were used to explore the experience, reasoning, and practices of informants related to the implementation of accounting and fraud prevention efforts. Observations are focused on the use of the Village Financial System (Siskeudes) and the Village Financial Supervision System (Siswaskeudes) to understand the process of recording, reporting, and direct financial control. Meanwhile, the documentation includes a review of planning documents, budget realization, accountability reports, and regulations related to village financial management. This combination of techniques allows researchers to capture the gap between formal procedures and actual practice (Tracy, 2020).

4. Research Implementation Procedure

The research procedure is carried out in stages and structured. The initial stage begins with a preliminary study to map the regulatory context, characteristics of village organizations, and village financial management patterns. The next stage includes determining key informants and preparing interview guidelines tailored to the research objectives. Data collection is carried out simultaneously through interviews, observations, and document collection, accompanied by a process of reflection and clarification if differences in information between sources are found. To maintain the quality of the findings, this study applies triangulation of sources and techniques, so that the resulting interpretation does not depend on one type of data or one point of view (Flick, 2022).

5. Data Analysis Techniques

Data analysis was carried out using qualitative descriptive analysis that took place iteratively from the initial stage of data collection. Data from interviews, observations, and documentation are encoded to identify themes, patterns, and conceptual relationships related to the role of accounting in fraud prevention. The focus of the analysis is directed at recording and reporting practices, internal control mechanisms, and separation of duties at the stage of implementing village financial management. The analysis process is supported by the preparation of a thematic matrix to facilitate comparisons between data sources and strengthen interpretation consistency. This approach allows for the drawing of conclusions that are contextual and practice-based (Miles et al., 2020).

RESEARCH RESULTS

1. Formal Implementation and Everyday Practice: Compliance, Adaptation, and Anomalous Space

This research was carried out at the Suko Village Government, Sidoarjo District, Sidoarjo Regency, East Java Province. Based on the results of interviews, observations, and tracing of village financial management documents, it is possible to obtain an idea that formally village financial management has followed the provisions and guidelines set by the central government and local governments. All stages of village financial management—from planning, implementation, administration, reporting, to accountability—have been carried out in accordance with the applicable regulatory structure.

The results of the evaluation of village financial management for the 2024 fiscal year conducted by the Sidoarjo Regency Regional Inspectorate show that the Suko Village Government is classified in the "Adequate" category. This category reflects that village financial management has met most of the indicators of good governance, such as procedural compliance, the use of the village financial system, and financial reporting. However, this category also indicates that there are still certain weaknesses and obstacles that have the potential to reduce the effectiveness of control and open up opportunities for deviations, especially at the implementation stage.

In the context of ethnomethodology, these findings show a difference between formal compliance with regulations and daily practices of village financial management. Village officials implement existing rules and systems, but at the same time make various practical adjustments to overcome system limitations, organizational pressures, and field conditions that are not fully accommodated by regulations. These adjustments are key to understanding how accounting is carried out in real terms: on the one hand it can strengthen fraud prevention through administrative regularity, but on the other hand it can create loopholes when adjustments are not supported by consistent recording and adequate control.

The study also found that frequent regulatory changes, coupled with continuous updates of the Siskeudes version, cause confusion and administrative burden for village officials. The difference in the level of understanding and competence of village officials increases the risk of implementation errors and opens up gaps for deviations. The increasingly diverse complexity of village

transactions also leads to the limitation of shopping account codes, so that villages are forced to use the code that is closest to them, which has the potential to cause inaccuracies in shopping classification. This condition confirms that the implementation of accounting at the village level is not only faced with compliance obligations, but also with the need to adapt to situations that are not always explicitly regulated.

2. Reporting Recording System and Expenditure Implementation Prone Points: SPP, Non-Cash, Self-Management, and Accountability Delays

The implementation of village spending using APBDes funds is carried out through the mechanism of submitting a Payment Request Letter (SPP) by the activity implementer or the head of the relevant section. At the research site, two types of tuition are known, namely the standard tuition fee and the definitive tuition fee. The SPP panjar is generally used to request an advance payment for activities, especially in infrastructure activities, while the definitive SPP is submitted after the activity or procurement of goods/services is completed.

The results of the study show that SPP is not always made through the Village Financial System (Siskeudes) application. Village officials often make SPP manually with the excuse of avoiding data input errors in the system. This practice is carried out when the supporting data is incomplete, there are changes in shopping details, or there are concerns about technical errors in the application. Although it practically helps the smooth administration of the system, this practice has the potential to weaken the consistency of the audit trail because not all transactions are directly recorded in the system, so that the role of accounting as a producer of transaction evidence and systematic reporting becomes less optimal if it is not immediately consolidated back into the system.

Anomalies are also found in the procurement of goods and services through suppliers. The provision that SPP can only be applied for after the goods or services have been received is difficult to fully implement because the provider is not always willing to send the goods in advance or provide credit facilities, except for minor needs. As a result, the concept of a definitive SPP is not fully applicable. This condition opens up the space for changes in transaction evidence after data input is made, for example due to changes in the type of goods, availability of goods, or price changes. Without strict accounting recording and control, the situation has the potential to create mismatches between reports in the system and realizations in the field, as well as increase the risk of manipulation of proof of expenditure.

The implementation of a non-cash payment system for village shopping in Sidoarjo Regency has not been able to run consistently. The research findings show that many payees do not have bank accounts or do not use the same bank as village cash accounts. In addition, some providers of goods and services, especially building materials stores, prefer cash payments because they are reluctant to issue tax invoices. To overcome these obstacles, the Suko Village Government implemented a strategy by transferring activity funds to the Activity Implementation Account (PKA), then withdrawing the funds in cash to pay providers. This strategy is understood as a practical solution so that development activities continue to run and budget absorption targets can be

achieved, but it substantively shifts transaction control points from third parties to the village internally, so that transparency and traceability of transactions are reduced. From the perspective of fraud prevention, this condition emphasizes that accounting must work more strongly in terms of the completeness of evidence, the suitability of transaction values, and the clarity of the final recipient of the payment so that adaptation does not turn into a gap of irregularities.

The implementation of village spending in the 2024 fiscal year at research sites is more carried out through self-management mechanisms than procurement through providers. Swakelola is interpreted as the implementation of activities by the implementation team of village and community activities with the principle of mutual cooperation and the use of local resources. However, the study found that self-management regulations have not yet regulated in detail the conditions when local resources are insufficient. In practice, the Suko Village Government has used labor from other villages for self-management activities, and this is the finding of the Inspectorate's audit. In addition, the village receives voluntary contributions from the community in the form of labor, food and beverages, building materials, and other goods. The contribution is managed by the activity implementation team, but is not recorded as village income and is not adequately reported in the village financial statements. The non-recording of community contributions has serious implications for accountability because non-cash contributions that are not recorded have the potential to be misused to inflate the value of expenditure or give rise to asset misappropriation, as well as obscuring the true value of village assets.

Accountability for the use of APBDes funds is prepared after all expenditure and procurement of goods/services is completed. However, the study found a tendency for delays in the preparation of activity realization reports by activity implementers. This delay is caused by expenditure calculation errors, tax calculation errors, and other administrative errors. The delay in the realization report has a direct impact on the delay in the preparation of the overall village financial statements. These findings show that the role of accounting in fraud prevention does not only depend on the format of the report, but also on the discipline of time, accuracy of calculation, and consistency of the reporting process so that irregularities are not covered by delays and administrative irregularities.

3. Internal Control, Check and Balance, and Limitations of the Supervisory System: Concentration of Authority and Permissive Culture

One of the important findings of the study is the non-optimal implementation of the duties and functions of the village secretary as the coordinator of the Village Financial Management Implementation (PPKD). Based on the results of the interview, the village secretary did not fully carry out the coordination, verification, and control functions as stipulated in the provisions of village financial management. The main reasons given are seniority factors and considerations for maintaining internal harmony of village government ahead of the simultaneous village head election in 2026.

As a result of the non-optimal functioning of the PPKD coordinator, there is a transfer and overlap of tasks between village apparatus. The function of

verifying village expenditure accountability that should be carried out by the village secretary is actually carried out by the head of financial affairs or the village treasurer. In fact, the village treasurer is also involved in the preparation of APBDes realization reports, semester reports, and annual reports. Meanwhile, the preparation of the APBDes and Cost Budget Plan (RAB) is carried out by the planning department, and the preparation of village regulations and administrative policies is carried out by the administrative and general public departments. This practice administratively allows the wheels of government to keep running, but substantively weakens the internal control mechanism because the absence of a clear separation of duties reduces the process of mutual testing between functions. In daily practice, these conditions are considered "natural" and tolerable, so that a permissive culture is formed that opens up space for rationalization of procedural violations, especially at crucial points such as spending verification and accountability preparation.

After the activity realization report is received, the financial coordinator processes it through the Siskeudes application. However, the app can only be operated by one person, the financial coordinator, and does not provide operationally running verification and authorization functions. The verification function that should be carried out by the village secretary and authorized by the village head does not run in the system. The concentration of control on one operator increases the risk of errors and irregularities due to the absence of layered supervision inherent in the system, even though checks and balances in village financial management require a separation of input, verification, and approval roles so that the opportunity for irregularities can be suppressed.

In addition to Siskeudes, the Suko Village Government uses the OM-SPAN application to submit village fund distribution. The findings of the study show that due to the limited number of personnel in the Community and Village Empowerment Office compared to the number of villages, the process of uploading documents for the disbursement of funds is mostly carried out directly by the village without substantial verification. The tests carried out are more formal on the completeness of the documents, not on the suitability of the substance with field conditions. This condition magnifies the risk when organizational pressure encourages the acceleration of disbursement of funds, while the substance verification mechanism is not strong enough to screen out documents that do not reflect the reality of implementation.

In terms of supervision, the Regional Inspectorate utilizes the Siswaskeudes application to assess village performance and determine audit priorities. However, because Siskeudes is still offline-based, supervision cannot be carried out in real time. The absence of system restrictions or warnings on withdrawals that exceed the Cash Budget Plan increases the chances of irregularities, especially for those who understand the weaknesses of the system. Thus, fraud prevention cannot only rely on procedural compliance, but needs to be strengthened through accounting that ensures traceability of transactions, internal controls that run, clear separation of duties, and an organizational culture that refuses tolerance for procedural violations.

4. Synthesis: Accounting as a Strategic Instrument for Fraud Prevention in the Implementation Stage

Overall, the results of the study show that accounting plays a significant role in minimizing the risk of fraud through systematic recording and reporting, strengthening internal controls, implementing separation of duties and checks and balances, establishing an organizational ethical culture, and compliance with regulations. Accounting has also proven to be important in responding to regulatory changes, transaction complexities, and various operational anomalies that are not explicitly regulated.

The ethnomethodological approach shows that the effectiveness of fraud prevention is not only determined by the existence of rules and systems, but also by how village officials interpret and carry out accounting in daily practice. Therefore, strengthening accounting at the implementation stage is key to ensuring that village financial management is not only administratively compliant, but also accountable and with substantive integrity.

DISCUSSION

The implementation of village financial management in Suko Village has generally followed the formal regulatory framework set by the central and regional governments, as reflected in the results of the evaluation of the Regional Inspectorate which classified its performance in the "adequate" category. These findings are in line with modern public governance theories that emphasize procedural compliance as a prerequisite for good governance, although it does not yet guarantee substantive effectiveness (Pollitt & Bouckaert, 2020). Previous research has shown that administrative compliance often reflects only symbolic success, rather than the quality of management as a whole (Andrews et al., 2022). In this context, the category of "adequate" indicates a gap between policy design and implementation practices at the local level. The meaning of these findings emphasizes that village financial management reform cannot stop at regulatory compliance, but must be directed at strengthening institutional capacity. The contribution of this research lies in the affirmation that village performance evaluation needs to consider the functional dimension, not just the administrative one.

The main obstacle identified is the non-optimal role of the village secretary as the coordinator of village financial management, which leads to overlapping tasks and weak internal verification mechanisms. This condition is contrary to the principle of separation of functions in the theory of internal control of the public sector, which emphasizes the importance of the distribution of authority to prevent abuse of power (COSO, 2020). Empirical studies in various developing countries show that the weak separation of functions in local governments significantly increases the risk of errors and fraud (de Simone et al. 2021). Seniority-based rationalization and political stability ahead of the village head election reflects the strong influence of socio-political factors in village administrative practices. These findings provide an understanding that the implementation of village financial regulations is greatly influenced by the dynamics of informal power. Therefore, this study contributes to the literature by showing that organizational culture and local politics are key variables in the effectiveness of village financial management.

The use of the Village Financial System application which is a single user and does not provide verification and authorization functions shows serious weaknesses in the technology-based control system. In the perspective of accounting information systems, technology is supposed to strengthen accountability through automated controls and role-based access restrictions (Romney & Steinbart, 2021). However, recent research shows that digitalization without adequate control design can actually create new opportunities for fraud (Moll & Yigitbasioglu, 2022). These findings confirm that the adoption of technology in village governments has not been fully oriented towards risk prevention. The consequence of these conditions is an increased reliance on the integrity of the individual, not the system. Thus, the scientific contribution of this research is to strengthen the argument that the digital transformation of the public sector must be accompanied by comprehensive internal control reforms.

In terms of procurement of goods and services, the inconsistency in the implementation of non-cash payment mechanisms and the dominance of self-management reflect the tension between formal regulations and the reality of the local economy. The theory of institutional logics explains that public actors often adjust formal rules with practical logic in order to maintain the sustainability of organizational activities (Thornton et al., 2023). Previous research has shown that limited access to banking and low financial literacy of local providers are the main obstacles to the implementation of non-cash transactions in village governments (Khan et al., 2020). The use of self-management involving cross-village resources also indicates a gap in operational regulations. The significance of these findings shows that national policies need to be more adaptive to the local context. This research contributes by highlighting the importance of harmonization between procurement policies and village socio-economic conditions.

Community participation in the form of self-help that is not recorded as village income raises serious problems in financial accountability and transparency. In the theory of public accountability, all resources used for the public benefit must be measurable, recordable, and formally accountable (Bovens et al., 2021). International studies show that non-recording of public contributions has the potential to cause misrepresentation of financial statements and open up opportunities for asset misuse (Bracci et al., 2021). These findings indicate a gap in accounting understanding at the level of implementing village activities. As a result, the real value of assets and village development costs are not accurately reflected. The contribution of this research lies in strengthening the argument that community participation needs to be formally integrated in the village accounting system.

Findings related to the high level of SiLPA, delay in reporting, and capital participation of BUMDes without feasibility analysis show weak village strategic financial planning and evaluation. Within the framework of public financial management, unrealistic budget planning and weak evaluation of public investment performance are indicators of fiscal inefficiency (Allen et al., 2023). Recent research also confirms that village-owned enterprises often fail to provide economic benefits due to weak governance and initial business analysis (Bernard et al., 2021). Pressure factors such as budget absorption and limited apparatus

capacity are the main causes of this condition. Critically, this study recommends strengthening feasibility analysis, increasing planning capacity, and integrating risk-based supervision. Thus, this study makes a conceptual and practical contribution to the development of more sustainable village financial governance.

CONCLUSIONS AND RECOMMENDATIONS

Based on the discussion of the results of the research, it can be concluded that accounting plays a strategic and fundamental role in preventing fraud at the implementation stage of village financial management, which is the most vulnerable phase to irregularities. The implementation of systematic accounting practices through adequate internal recording, reporting, and control has been proven to be able to strengthen transparency and accountability, while closing the gap for fraud due to weak separation of functions, system limitations, and organizational pressure. Accounting not only functions as an administrative technical tool, but also as a governance-based control mechanism that encourages checks and balances, compliance with regulations, and the formation of an ethical culture in village government organizations. Thus, optimizing the role of accounting is key in overcoming transaction complexity, dynamics of regulatory changes, and operational anomalies that have not been fully accommodated in the formal system. These findings affirm the contribution of accounting as an effective fraud prevention instrument as well as a foundation for strengthening clean, integrity, and sustainable village financial governance.

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