

**An Analysis of the Control Environment and Whistleblowing Mechanisms on Fraudulent Practices by Village Government Officials in Bangka La'o, Manggarai Regency****Susana Purnamasari Baso**

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Whistleblowing,
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Bangka La'o Village,
Manggarai Regency**Email :**Purnamabaso@gmail.com**ABSTRACT**

This study was conducted at the Bangka La'o Village Office, Manggarai Regency, using primary and secondary qualitative data obtained through observation, interviews, and documentation. Data analysis followed the stages of collection, reduction, presentation, and conclusion drawing. The findings reveal that the control environment in Bangka La'o Village is highly uncondusive, which has facilitated fraudulent practices by village officials. The seven indicators of the control environment are interrelated and contribute to the weakness of the oversight system. Furthermore, the presence of whistleblowers has proven effective in uncovering fraud cases, encouraging follow-up actions, and raising awareness among both village officials and the community in monitoring the village governance system. Based on these results, it is recommended that the village government strengthen internal control in accordance with the Ministry of Home Affairs Regulation No. 20 of 2018, enhance public awareness of whistleblowing, and establish a reporting system that ensures whistleblower protection in order to prevent future fraudulent practices.

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All rights reserved is Licensed under a [Creative Commons Attribution- NonCommercial 4.0 International License \(CC BY-NC 4.0\)](#)**INTRODUCTION**

A village is the smallest administrative unit in the unitary state system of the Republic of Indonesia, with authority to manage governmental affairs, development, and community welfare. One of the main sources of village funding is the Village Fund Allocation (Alokasi Dana Desa, ADD), which originates from the State Budget (APBN) and is allocated through the Regional Budget (APBD). The increase in ADD provides opportunities to accelerate the achievement of the village-level Sustainable Development Goals (SDGs). However, increased funding also carries the risk of fraud, such as corruption, asset misuse, and financial report manipulation, which can harm state finances and hinder village development (Prasetyo & Muis, 2015; Dewi & Padnyawati, 2022).

The phenomenon of fraud at the village level has become increasingly prevalent, as observed in Bangka La'o Village, Ruteng Subdistrict, Manggarai Regency, East Nusa Tenggara. Village officials during the 2017–2022 period were alleged to have abused authority in managing ADD, resulting in financial losses to the state. These findings were obtained from the Village Budget Implementation Reports (APBDes) from 2017–2019 and interviews with the Bangka La'o Village Financial Section Head. Contributing factors include a weak control environment, lack of integrity and ethical conduct among officials, unclear task allocation procedures, and insufficient supervision by the Village Consultative Body (BPD).

Theoretically, fraud can be analyzed using the fraud triangle proposed by Cressey (Skousen, Smith & Wright, 2008), which indicates that fraud arises from pressure, opportunity, and rationalization. The control environment is a fundamental component of the internal control system that can minimize the likelihood of fraud (Purwitasari, 2013). Additionally, whistleblowing serves as a critical mechanism for detecting and preventing fraud, whether by internal whistleblowers (village officials) or external whistleblowers (community members) (Yeoh, 2014; Gokce, 2013). Recent studies (Dewi & Padnyawati, 2022; Raharja & Sulistyowati, 2023; Safitri & Andhaniwati, 2024) confirm that a combination of internal control systems and whistleblowing significantly influences fraud prevention in the public sector, although its effectiveness depends on individual morality and organizational capacity.

The conceptual framework of this study focuses on the relationship between the control environment and whistleblowing in preventing fraud. A strong control environment is expected to reduce the opportunity for fraud through clear work procedures, official integrity, appropriate task allocation, and effective

supervision. The role of whistleblowers strengthens this control by uncovering fraud that is not visible to internal supervisors. The combination of these two mechanisms is expected to create a more effective internal control system at the village level.

The objective of this study is to analyze the influence of the control environment and the role of whistleblowers on fraud, identify the dominant indicators of the control environment, and provide recommendations for improving internal control systems and the effectiveness of whistleblowing at the village level.

METHODS

This study uses a descriptive qualitative approach with a case study method, aimed at analyzing the control environment and the role of whistleblowers in fraud activities in Bangka La'o Village, Manggarai Regency. The research was conducted over six months, from January to June 2023, at the Bangka La'o Village Office.

Research informants consisted of several parties considered to have relevant information, namely: the Village Head, the Financial Section Head, members of the Village Consultative Body (BPD), and community members as external whistleblowers. Informants were selected purposively to ensure that the data represented both the perspectives of village officials and the community.

Data collection techniques included:

1. **Observation:** Conducted on administrative activities, financial reporting procedures, and budget management at the village office, using field notes as instruments.
2. **In-depth interviews:** Using semi-structured interview guidelines to obtain information related to the control environment, budget management practices, and whistleblowing experiences.
3. **Documentation:** Collection of official documents, such as the Village Budget Implementation Reports (APBDes) from 2017–2019, BPD meeting minutes, and other supporting evidence.

Data analysis was carried out through four stages:

1. **Data collection:** All observation, interview, and document data were collected systematically.
2. **Data reduction:** Simplifying, sorting, and focusing data so that information relevant to the control environment and whistleblowing could be analyzed in depth.
3. **Data presentation:** Reduced data were presented in the form of descriptive narratives, tables, and variable relationship matrices.
4. **Conclusion drawing:** Analysis results were synthesized to identify the influence of the control environment and the role of whistleblowers on fraud activities.

To ensure data validity, the study employed source and method triangulation, comparing information from various informants (Village Head, Financial Section Head, BPD, community) and different data collection techniques (observation, interviews, documentation). This ensured that the obtained data were consistent and reliable.

RESULTS AND DISCUSSION

Control Environment

The control environment serves as the foundation of an internal control system, encompassing integrity, ethical values, competence, organizational structure, delegation of authority, and employee policies (Government Regulation No. 60 of 2008; Guy et al., 2002). Findings in Bangka La'o Village indicate a less conducive control environment:

a. Integrity and Ethical Values:

A village official reported that the village head misappropriated tax funds amounting to IDR 33,200,000 and delayed BUMDes capital allocation, reflecting low leadership integrity and ethics. This aligns with theory stating that a leader's integrity affects subordinates' behavior and internal control effectiveness (COSO, 2013).

b. Commitment to Competence:

Village officials indicated that assigned tasks did not match their competencies. For instance, a high school-educated treasurer managed village finances, forcing the village head to take over these duties.

This supports Guy et al. (2002), who argue that mismatched individual competencies increase the risk of errors and misappropriation.

c. BPD Participation (Audit Committee):

BPD members did not fully carry out oversight due to insufficient knowledge and skills, which increased opportunities for fraud due to weak external control (Utama, 2004).

d. Philosophy and Operating Style:

The village head applied an authoritarian leadership style, limiting participation from officials and the community, reducing transparency and accountability, and thereby increasing fraud risk (Danim, 2004; Rivai & Mulyadi, 2011).

e. Organizational Structure and Delegation of Authority:

The organizational structure did not match the competencies of officials, creating overlapping duties. The village head simultaneously held several critical positions, including financial management, increasing the potential for fraud.

f. Employee Policies and Practices:

Training on SISKEUDES usage was provided only once, with no follow-up guidance. This hindered officials' ability to perform duties according to their job descriptions (Guy et al., 2002).

Tabel 1. Summary of Weak Control Environment

Indicator	Findings in Bangka La'o Village	Implication for Fraud
Integrity and Ethical Values	Village head misappropriated tax and BUMDes funds	Increased risk of corruption
Competence	Tasks mismatched to officials' skills	Errors and misuse
BPD Participation	Weak oversight	Limited external control
Operating Style	Authoritarian leadership	Reduced transparency and accountability
Organizational Structure & Delegation	Overlapping duties; village head holds multiple positions	Fraud opportunities
Employee Policies	Limited training; no continuous guidance	Officials lack understanding of responsibilities

Whistleblowers serve as a key mechanism for detecting and preventing fraud, according to Prosocial Behavior Theory (Brief & Motowildo, 1986). Findings indicate that a resident reported misuse of village funds, prompting investigations by the inspectorate, police, and prosecutor's office, leading to the village head being charged. Positive impacts of whistleblowing include:

1. Fraud cases are uncovered and legal enforcement is applied.
2. Prevention of similar incidents in the future.
3. Increased awareness among officials, BPD, and the community regarding village operational oversight.

Fraud in Bangka La'o Village can be analyzed using **Cressey's Fraud Triangle Theory** (1953):

1. **Pressure:** The village head had personal financial motivations.
2. **Opportunity:** Weak internal controls, unclear organizational structure, and overlapping delegation of authority.
3. **Rationalization:** The village head justified corruption as a personal entitlement and due to lack of oversight.

Table 2. Summary of Village Fund Losses:

Fund Type	Amount (IDR)	Description
Fictitious Expenditure	200,000,000	Unaccounted for
BUMDes	115,000,000	Used for personal purposes
Physical Volume Shortage	257,452,043	Construction work not in accordance
SILPA 2017	1,031,447	Not returned to village cash
State Tax 2019	33,200,000	Unpaid
Total Loss	606,683,490	

Based on the analysis, factors contributing to fraud in Bangka La'o Village include:

1. An unsupportive control environment affecting financial management.
2. Limited skills and knowledge of village officials, causing overlapping duties.
3. Financial management not in accordance with Ministry of Home Affairs Regulation No. 20 of 2018 (transparent, accountable, participatory, and disciplined in budgeting).

Recommended measures to prevent future fraud include:

1. Improving the control environment through regular program evaluation and strengthening internal oversight.
2. Continuous training and guidance on officials' job descriptions and SISKEUDEDES usage.
3. Increasing community and BPD participation in monitoring village operations.
4. Implementing village financial management according to Ministry of Home Affairs Regulation No. 20 of 2018, emphasizing transparency, accountability, participation, and budget discipline.

CONCLUSION

This study indicates that the control environment plays a significant role in preventing fraud in the governance of Bangka La'o Village, Manggarai Regency. A strong control environment is reflected in the presence of effective supervision systems, compliance with regulations, the integrity of village officials, and transparency in financial management. Furthermore, the whistleblower mechanism has proven to strengthen fraud prevention efforts by providing a safe channel for both community members and officials to report indications of irregularities without fear of intimidation or pressure. These findings highlight that the combination of robust internal controls and an effective reporting mechanism can create a more accountable, transparent, and integrity-driven village governance system. As a follow-up, the village government needs to reinforce an organizational culture based on integrity, honesty, and openness. Village officials are also advised to regularly participate in training programs on accountability, financial management, and understanding internal control systems. The whistleblower mechanism should continue to be socialized to ensure that community members feel safe in reporting suspected fraud, while also guaranteeing protection for the whistleblower. Additionally, regional governments and supervisory institutions are expected to provide full support in strengthening village capacity, including guidance and periodic evaluations. With these measures, the potential for fraud in the village can be minimized, enabling development to proceed more effectively, transparently, and beneficially for the community.

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