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The Effect of Internal Control System on Village Fund Management Accountability; Empirical Study in Kudus Regency

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ABSTRACT

Internal control is a process influenced by human resources and information technology systems designed to help organizations achieve a goal. Process accountability in managing village funds is the willingness of village fund managers to accept responsibility for what is assigned to them efficiently, effectively, fairly, and transparently by involving the community. The demand for accountability on public institutions, both at the central and regional levels, has become a phenomenon of the development of the public sector, especially in the government sector. The purpose of this study was to analyze the effect of the internal control system on the accountability of village fund management. The population in this study were village officials in all villages in Kudus Regency. The number of village officials in all villages in the Kudus Regency is 492, while the sample obtained is 83 respondents. The research method used is quantitative research with primary data types. The data collection technique in this study was by distributing questionnaires to each village apparatus. Determination of the selected respondents using the Convenience Sampling technique. The test method uses a Structural Equation Models (SEM) approach, using the alternative method WarpPLS 7.0. The results showed that the internal control system had a significant positive effect on the accountability of village fund management.

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INTRODUCTION

The change in the Indonesian government system from centralized to decentralized currently makes local governments have regional autonomy authority to manage and develop their respective regions, these changes are in accordance with the goal of democracy, namely the welfare of the people. Currently, the existing government policies still focus on autonomy at the district/city level, but in essence, the independence starts at the lower level of government, namely the village. By providing village autonomy, it is hoped that it will give recognition to the locality of the village itself and be able to bring the state closer to the community (Yu & Neter 1973). Village communities can feel the direct impact of development and can enjoy good public services. With the realization of village autonomy, the government

stipulates Law Number 6 of 2014 concerning Villages, which aims to empower and protect villages to become advanced, independent, strong, and democratic in creating a strong foundation in implementing governance and development ([Yuliasuti & Riharjo, 2020](#); [Dewi et al., 2021](#))

Information from financial statements has reliable quality if it is free from misleading and material errors and can be presented fairly. To find out the reliable quality of a financial report, the Corruption Eradication Commission (KPK) often conducts studies on financial management. Based on information obtained from a press release on June 12, 2015, regarding the management of funds, the KPK has conducted a study of the village management system. From this KPK study, it was found that there were 14 findings in 4 aspects, namely regulatory and institutional aspects, management aspects, supervision aspects, and human resources aspects. In the regulatory and institutional aspects, the KPK found a number of problems, including the incomplete implementation of technical instructions needed in village financial management, the potential for overlapping authorities between employees, the formula for distributing village funds is not transparent enough, The distribution of fixed income for village officials from ADD is regulated in PP No. 43 of 2014 is not fair, and the obligation to prepare accountability reports by the village is inefficient due to overlapping regulatory provisions ([Hery, 2014](#); [Elyta & Muhammad, 2021](#))

The phenomenon that occurred in Kudus Regency related to the accountability of village fund management was the occurrence of misappropriation of village funds in 2018-2019 which occurred in two villages in the Dawe sub-district, this was conveyed by the Head of the Kudus Regency Community and Village Empowerment Service Adi Sadhono Murwanto ([Radarkudus.jawapos.com](#)). Misappropriation of the use of village funds can lead to public distrust of the integrity of the village government in carrying out their duties and responsibilities. Demands for accountability on public institutions both at the central and local levels have become a phenomenon of the development of the public sector, especially in the government sector ([Nahartyo & Indriasari, 2008](#)). According to ([Mardiasmo, 2021](#)) Accountability can be interpreted as a form of obligation to account for the success or failure of the implementation of the organization's mission in achieving predetermined goals and objectives, through a medium of accountability that is carried out periodically.

Accountability can show that public officials have acted properly, behaved ethically, and are responsible for their performance. In other words, accountability is a benchmark for the commitment of public officials, in this case, village officials, to the organizations and communities they lead ([Hidayah & Wijayanti, 2017](#)). Accountability is an obligation to provide accountability for the performance, actions, and or decisions of a person or organization to those who have the right to obtain such accountability ([Halim & Iqbal, 2012](#)). To achieve accountability in the management of village funds, it is necessary to control the activities carried out. Control is carried out by referring to the government's internal control system (SPIP), where the function of the internal control system is as a guideline for the implementation and benchmarks for testing the effectiveness of the implementation of an organization's activities by considering aspects of costs and benefits, human resources, clarity of criteria for measuring effectiveness and development. technology and carried out comprehensively ([Martini et al., 2019](#); [Hendaris & Romli, 2021](#)).

Government Regulation Number 60 of 2008 concerning the Government Internal Control System (SPIP) states that Internal control is a process of continuous activities carried out by the leadership and all staff or employees to provide confidence in the achievement of organizational goals through effective activities, reliability of financial reports, safeguarding state assets, and operational compliance with laws and regulations (PP Number 60 of 2008). Research from ([Atiningsih & Ningtyas, 2019](#); [Zeho et al., 2020](#)) states that the internal control system has a positive and significant effect on the accountability of village fund management in village government officials throughout Banyudono District, Boyolali Regency, in addition to research from ([Zulkifli et al., 2021](#)) also states that the internal control system positive and significant effect on the accountability of village fund management in villages in Muara Enim District, Muara Enim Regency. This is because the Government's Internal Control System can

reduce errors or fraud committed in the management of village funds, with the Internal Control System accounting data will be checked so that the results of accounting data will be guaranteed accuracy and reliability.

As well as in the management of village funds, it will be in accordance with village government policies compiled based on applicable laws and regulations. As well as clear separation of duties and main functions in terms of managing village funds, the absence of concurrent positions so as to reduce errors and various kinds of fraud that can be done (Fadzil et al., 2005). However research from (Indraswari & Rahayu, 2021) and (Mutmainah & Pramuka, 2017) states that the internal control system has no effect on the accountability of village fund management (Iznillah & Basri, 2018). Based on the background that has been described, and with the different research results, the researchers tested the effect of the internal control system on the accountability of village fund management in an empirical study in the Kudus Regency.

The variables used in this study consisted of the dependent variable, namely Village Fund Management Accountability, and the Independent Variable, namely the internal control system. Village Fund Management Accountability According to (Sujarweni, 2015; Yunita & Christianingrum, 2018) Accountability or also called accountability is a form of someone's obligation so that all tasks and obligations given can be carried out in accordance with applicable regulations (Nasir et al., 2020; Triyono et al., 2019). The demand for accountability in the management of village funds has now become an important focus for village officials because accountability shows the success of achieving the vision of the Village Law to create an advanced, strong, independent, just and democratic village, having full authority in managing/regulating itself to achieve the welfare of the village community (Yulihantini & Wardayati, 2017). The accountability variable for managing village funds is measured using 4 statement items with 5 Likert scales, namely (1) The process of making a decision, (2) Ethical standards and values, (3) Accuracy and completeness of information, (4) Clarity of policy objectives (Aswar, 2019).

The internal control system is a number of procedures to protect the assets or assets of an organization from all forms of abuse, ensure the availability of accurate organizational accounting information, and ensure that all legal provisions and management policies have been complied with and carried out properly (Hery, 2014). The internal control system variable is measured by 26 statement items with 5 Likert scales through 5 indicators, namely (1) Control environment, (2) Risk assessment, (3) Control activities, (4) Information and communication, (5) Control monitoring.

RESEARCH METHOD

The population in this study is village officials in all villages in Kudus Regency. The total number of village officials in all villages in the Kudus Regency is 492 people. Looking at the population of more than 100 people, the research sampling technique used the formula from Taro Yamane or Slovin (Riduwan, 2006) as follows:

$$n = \frac{N}{N \cdot d^2 + 1}$$

Information:

n : Number of Samples

N : Total Population

d2 : Precession (set 10% with 95% confidence level)

Based on the Slovin formula, the number of samples obtained is 83 respondents. The data collection used in this research is by distributing questionnaires to each village apparatus. The determination of the selected respondents is by using the Convenience Sampling sampling technique. According to (Sekara, 2006) Convenience Sampling is a collection of information from population members who agree to provide the information. That way, anyone

who agrees to provide the required information with the researcher, either directly or indirectly, can be used as a sample in this study if the respondent is suitable as a data source. The data analysis method in this study used a Structural Equation Model (SEM) approach using the alternative Partial Least Square (PLS) method. The software used is WarpPLS 7.0 Software. PLS is an alternative approach that shifts from a covariance-based SEM approach to a variant-based approach (Ghozali & Latan, 2014).

RESULTS AND DISCUSSION

Assessing Outer Model or Measurement Model.

The outer model (outer relation or measurement model) defines how each indicator block relates to its latent variable. The measurement model or outer model with reflexive indicators is evaluated with convergent and discriminant validity of the indicators and composite reliability for block indicators. The results of the outer model in this study are as follows:

Konstruk	Validity Test	Find	Reliability Test		Find
	AVE		Composite Reliability	Cronbach Alpha	
SPI	0.417	Valid	0.945	0.938	Reliabel
APDD	0.837	Valid	0.954	0.935	Reliabel

Table 1. Outer/Measurement Model. Source. Researcher Process, 2021

Based on the measurement results of table 1 above, this study has a loading factor value greater than the critical limit of 0.70, so that the convergent validity test results have been declared valid. The results of the composite reliability test of each indicator have a value greater than 0.7 so that all indicators in the estimated model meet the discriminant reliability requirements or have met the reliability requirements.

Validity Test.

A validity test is a test used to show the extent to which the measuring instrument used in a measure is what is being measured. (Ghozali & Latan, 2014) states that the validity test is used to measure the validity or validity of a questionnaire. Discriminant validity criteria have been met if the square root of AVE is greater than the correlation coefficient between constructs in each column. The criteria used are average variance extracted (AVE), which is a diagonal column, and bolded (bold) of 0.646 and 0.915 where the value must be higher than the correlation between latent variables in the same column (above or below). The results of discriminant validity in this study are presented in the table below:

	SPI	APDD
SPI	(0.646)	0.316
APDD	0.316	(0.915)

Table 2. Correlations Among Latent Variables. Source; Researcher Process, 2021.

Testing Research Variables.

Research variables are everything that will be the object of research observation. The understanding that can be taken from this definition is that in research there is something that is targeted, namely variables, so that the variable is a phenomenon that is the center of research attention to be observed or measured. The procedure for testing the Village Internal Control System in Kudus Regency as an independent variable on Village Fund Management Accountability is as follows;

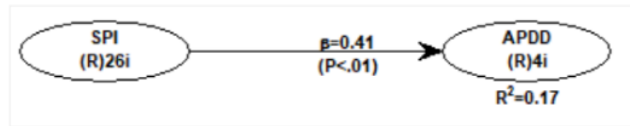


Figure 1. Results of Research Variables Testing. Source: Researcher Process, 2021.

The correlation matrix in Figure 1 shows that there is a fairly strong positive relationship between the internal control system and the accountability of village fund management, indicated by a significant correlation coefficient. These results indicate an early indication of support for the hypothesis that requires a significant correlation between the independent variable and the dependent variable. From the test results above, it can be concluded that the Internal Control System has an effect on the accountability of village fund management with a beta value of 0.41 with a significance of $P < 0.01$.

Village Fund Management Internal Control and Accountability System.

The hypothesis proposed in this study is that the internal control system has a positive effect on the accountability of village fund management. The results of statistical tests can be concluded that the internal control system has a positive effect on the accountability of village fund management. In accordance with the Stewardship theory, internal control is a way to direct, supervise and measure an organization's resources. In addition, internal control also has an important role to prevent or detect fraud. The implementation of activities in a government starting from planning, implementing supervision, to accountability must be carried out in an orderly, controlled, efficient and effective manner. For this reason, a system is needed that can provide adequate assurance that the implementation of activities in a government agency can achieve its objectives efficiently and effectively, report financial management reliably, secure assets, and encourage compliance with laws and regulations. This system is known as the Internal Control System.

The Internal Control System in Government is an important factor because the existence of a control system can influence the internal decision-making of the village government and can have implications for the accountability and transparency of the village government. The results of this study state that the internal control system has a positive effect on the accountability of village fund management, this means that the Kudus district village apparatus has implemented a good, orderly, and effective internal control system for the implementation of planning, implementation, and accountability activities in their respective villages for achieve village fund management accountability. The results of this study are in line with the results of research (Widyatama et al., 2017) which states that the internal control system has a positive effect on village financial management accountability, in addition, the results of research from (Budiana et al., 2019) also state that the internal control system has a positive effect and significant to the accountability of village fund management. However, the results of this study are not in line with the results of research (Pahlawan et al., 2020) which states that the internal control system does not affect the accountability of village fund management.

CONCLUSION

The influence of the internal control system on the accountability of village fund management. This research was conducted by distributing questionnaires to 492 respondents in all villages in Kudus Regency. This study proves that the internal control system has a positive and significant effect on the accountability of village fund management. The theoretical implication of this research in the context of stewardship theory is that village officials can carry out good management of village funds for the benefit of village communities through improving a good internal control system and involving village communities in managing village funds. Empirical evidence in this study is limited to villages in Kudus Regency. Suggestions for further researchers are to understand the implementing rules for

village government regulations, village finances, and Government Accounting Standards (SAP) to enrich the indicators of research variables. Future researchers can also review other factors that affect village fund management accountability such as organizational culture, a commitment of government officials, etc.

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