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The Effect of Village Government Competence and Whistleblowing System on the Prevention of Village Fund Fraud with Organizational Culture as a Moderating Variable

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Abstract: This study investigates the effect of village government competence and the whistleblowing system on the prevention of village fund fraud, with organizational culture as a moderating variable. This study employs a quantitative approach using a survey method. Data were collected through the distribution of questionnaires to respondents involved in village fund management in Central Buton Regency. A total of 67 respondents participated in the study, with a 100% response rate, allowing all data to be processed. The data analysis technique utilized Structural Equation Modeling based on Partial Least Squares. The results indicate that village government competence and the whistleblowing system have a positive effect on the prevention of village fund fraud. However, organizational culture is not proven to moderate the relationship between village government competence and the whistleblowing system on fraud prevention. These findings imply that enhancing village government competence and optimizing the implementation of the whistleblowing system are essential factors in strengthening fraud prevention efforts in village fund management.

Keywords: Village government competence, whistleblowing system, organizational culture, fraud prevention, village funds.

INTRODUCTION

Law of the Republic of Indonesia Number 6 of 2014 concerning Villages defines a village as the lowest level of government that possesses autonomous rights to regulate and manage its community based on customary law, traditions, and formal authority granted by the state. This regulation emphasizes that villages are authorized to administer governance and fulfill community needs through the management of Village Funds, which are sourced from the State Budget (APBN), locally generated revenue, regional tax allocations, levies, and other legitimate sources of income.

The national allocation of Village Funds has demonstrated a consistent upward trend since 2015, increasing from IDR 21 trillion to a peak of IDR 72 trillion in 2021, followed by a slight decrease to IDR 71 trillion in the 2024–2025 period (CNN Indonesia, 2024). These funds

are prioritized to support development initiatives aimed at improving community welfare, enhancing quality of life, and alleviating poverty. Such objectives are achieved through the provision of basic needs, infrastructure development, local economic empowerment, and the sustainable utilization of natural resources (Republic of Indonesia, 2014).

However, the increasing allocation of Village Funds has been accompanied by a rise in cases of misappropriation in their management. Data indicate that there were 184 cases of Village Fund corruption in 2023, which increased to 275 cases in 2024, and reached 489 cases in the first half of 2025 (Dhani & Purba, 2025). These irregularities not only result in financial losses to the state but also have long-term consequences, including hindering rural development and exacerbating poverty. This occurs because the benefits of Village Funds are not fully realized by the communities that constitute the primary target of the policy (KPK Sigap, 2025).

Similar phenomena have also occurred in Central Buton Regency. In 2015, the Acting Regent of Central Buton was implicated in a corruption case related to the disbursement of Village Funds in two stages amounting to IDR 32 million and IDR 50 million per village (Neke & Belarminus, 2019). In 2017, the Head of Matanaeo Village was dismissed due to budget misuse and improper management of Village Funds that did not comply with the Village Budget (APBDes) (Munandar et al., 2019). Another case occurred in Kancebungi Village, where the village head was suspected of borrowing Village Funds without a clear repayment mechanism (Suriadi et al., 2024). In 2024, allegations of irregularities re-emerged in Madongka Village and Lowulowu Village. BPK Sulawesi Tenggara (2024a) revealed that the Lowulowu Village Government unilaterally revised the Budget Plan (RAB) without involving the Village Consultative Body (BPD) and the community and distributed only 13% of the "Affordable Food Program" assistance, which should have reached 35%. Meanwhile, in Madongka Village, indications of budget inflation were identified in the construction of a swimming pool and farm roads during the 2020–2023 period (BPK Sulawesi Tenggara, 2024b).

The high incidence of fraud cases in village governance confirms the need for more systematic and effective prevention efforts. Komisi Pemberantasan Korupsi, (2021) emphasizes that corruption prevention can be achieved through the empowerment of village governance, particularly by strengthening the competence of village officials. Such strengthening includes enhancing technical skills and capabilities, improving procedural understanding, fostering effective working relationships, and refining organizational conditions and systems to ensure that village governance operates effectively and accountably. In line with this, Sarmigi et al., (2025) argue that the whistleblowing system and organizational culture represent effective strategies for fraud prevention. The whistleblowing system increases the probability of detection and creates a deterrent effect, thereby reducing opportunities for fraudulent behavior.

Theoretically, village government competence and the whistleblowing system are considered critical factors in preventing Village Fund fraud. However, previous studies have reported inconsistent findings. Regarding competence, several studies have identified a positive effect on fraud prevention (Mahdi et al., 2021; Wahyudi et al., 2022), whereas others have reported a negative effect (Putri et al., 2025; Safitri et al., 2025; Asril et al., 2024). Similar inconsistencies are observed in the whistleblowing system variable, which has been found to have a positive effect in some studies (Putri & Kisnawati, 2024; Budiadnyani et al., 2024; Wahyudi et al., 2021), while other studies report no significant effect on fraud prevention (Aziza et al., 2024; Fajran et al., 2026; Suasri et al., 2025). These inconsistencies suggest the presence of additional variables that may influence these relationships.

Baron & Kenny, (1986) argue that such inconsistencies can be explained by the presence of moderating variables, which are variables capable of altering the direction or strength of the relationship between independent and dependent variables. In this study, organizational culture is positioned as a moderating variable because, through the processes of socialization and

internalization of values, it shapes members' perceptions of what is considered right or wrong and establishes boundaries of acceptable and unacceptable behavior within the organization (Sutrisno, 2018). Thus, organizational culture functions as a social control mechanism that guides the behavior of village officials. Furthermore, a strong organizational culture has been shown to reduce the likelihood of fraud and other deviant behaviors (Handoko et al., 2025).

The selection of organizational culture as a moderating variable is based on the limited number of studies examining the influence of village government competence and the whistleblowing system on fraud prevention while considering the role of organizational culture, particularly in the context of Village Fund management. Previous studies have tended to focus on moderating variables such as religiosity, leadership style, and moral sensitivity (Fajran et al., 2026; Harimurti et al., 2025; Wahyudi et al., 2022). In several prior studies, organizational culture has been primarily utilized as a moderating variable to explain the relationship between internal control and community participation (Putra et al., 2021). Therefore, incorporating organizational culture as a moderating variable in this study provides a novel perspective in understanding the effectiveness of fraud prevention at the village level.

This study aims to analyze the effect of village government competence and the whistleblowing system on the prevention of Village Fund fraud, with organizational culture as a moderating variable in village governments in Central Buton Regency. This study is expected to contribute to the development of forensic accounting literature, particularly in relation to fraud prevention models in the village government sector. Practically, the findings of this study may provide insights for village governments, inspectorates, and local governments in strengthening governance, enhancing the capacity of village officials, and formulating more effective fraud prevention strategies in the management of Village Funds The introduction contains the research background in a concise, concise, and clear manner; research purposes; as well as supporting theories.

Theoretical Framework

Stewardship Theory

This study employs Stewardship Theory and the Fraud Triangle Theory as its primary theoretical foundations. Stewardship theory posits that stewards prioritize organizational interests over personal interests (Davis et al., 1997). It explains that a steward's motivation to act in the principal's best interest is influenced by psychological factors, such as intrinsic motivation, identification with organizational goals, and the use of personal power, which collectively encourage stewards to work diligently toward organizational success. In addition, situational factors, including participative management philosophy, a culture of collectivism, and low power distance, further strengthen trust, collaboration, and a harmonious organizational orientation (Davis et al., 1997).

Stewardship theory is relevant in explaining fraud prevention because it assumes that individuals within an organization can act as stewards who prioritize organizational interests, demonstrate commitment to organizational goals, and are driven by intrinsic motivation to maintain organizational integrity. Under such conditions, individuals are more likely to perform their duties responsibly and avoid actions that could harm the organization, including fraudulent behavior. Therefore, in the context of village fund management, village governments, as stewards, are expected to manage public resources accountably, thereby supporting fraud prevention efforts.

Fraud Triangle Theory

The Fraud Triangle Theory, developed by Cressey, (1953) explains that fraud occurs due to the presence of three elements: pressure, opportunity, and rationalization. Pressure may arise from financial needs or greed, opportunity emerges when internal controls are weak, and

rationalization occurs when individuals justify their unethical actions. This theory supports the present study by indicating that fraud prevention efforts should focus on reducing opportunities, one of which can be achieved through the implementation of an effective whistleblowing system. An effective whistleblowing system increases the likelihood of detection and reduces the elements of rationalization and pressure as driving factors of fraud, thereby contributing significantly to fraud prevention (Kristianti, 2025). Furthermore, competence can either reduce or increase opportunities for fraud, depending on how it is utilized. A strong organizational culture, on the other hand, can prevent rationalization by embedding ethical values, integrity, and compliance in all aspects of organizational activities (Khoirin & Fathmaningrum, 2025; Marini et al., 2025).

Village Government Competence and the Prevention of Village Fund Fraud

From the perspective of Stewardship Theory, organizations that provide adequate support, access to information, and well-established institutional structures encourage officials to perform optimally and prioritize organizational interests (Davis et al., 1997). This condition reflects the critical role of organizational support in shaping the capacity and integrity of officials to carry out their duties professionally and responsibly. Village government competence refers to the collective capability reflected in human resource knowledge and skills, supported by organizational systems, resource management, and effective collaboration in achieving organizational objectives (Khotijah et al., 2023; Nursalim & Anshori, 2024). Adequate competence enables organizations to implement proper village fund management procedures, strengthen oversight, and minimize errors and irregularities. From the perspective of the Fraud Triangle Theory, this condition indicates that competence plays a role in reducing opportunities for fraud by strengthening systems and internal controls. Therefore, higher levels of competence are expected to enhance the effectiveness of fraud prevention efforts. This argument is supported by prior studies that demonstrate a positive relationship between competence and fraud prevention (Wahyudi et al., 2021; Mahdi et al., 2021). Based on the theoretical framework and previous empirical findings, the following hypothesis is proposed:

H1: Village government competence has a positive effect on the prevention of village fund fraud.

Whistleblowing System and the Prevention of Village Fund Fraud

From the perspective of Stewardship Theory, individuals within an organization are viewed as responsible actors who safeguard organizational interests and act with honesty and transparency (Davis et al., 1997). Individuals with such orientations are more likely to uphold integrity and accountability in performing their duties. Furthermore, the Fraud Triangle Theory by Cressey, (1953) explains that fraud arises due to pressure, opportunity, and rationalization. Therefore, effective control mechanisms are required to mitigate these factors and reduce the likelihood of fraud. In the context of village governance, the whistleblowing system serves as an effective fraud prevention mechanism by increasing the likelihood of detection, enabling early identification of irregularities, and strengthening internal control in village fund management (Sarmigi et al., 2025). The presence of a whistleblowing system promotes transparency and accountability while providing a secure reporting channel for individuals who are aware of misconduct. Consequently, it reduces opportunities and rationalization for fraudulent behavior due to the increased risk of exposure. Thus, the more effective the implementation of the whistleblowing system, the greater the level of fraud prevention achieved. This argument is supported by prior studies indicating a positive effect of whistleblowing systems on fraud prevention (Putri & Kisnawati, 2024; Budiadnyani et al., 2024; Wahyudi et al., 2021). Based on the theoretical framework and previous empirical findings, the following hypothesis is proposed:

H2: The whistleblowing system has a positive effect on the prevention of village fund fraud.

Village Government Competence, Whistleblowing System, Organizational Culture, and the Prevention of Village Fund Fraud

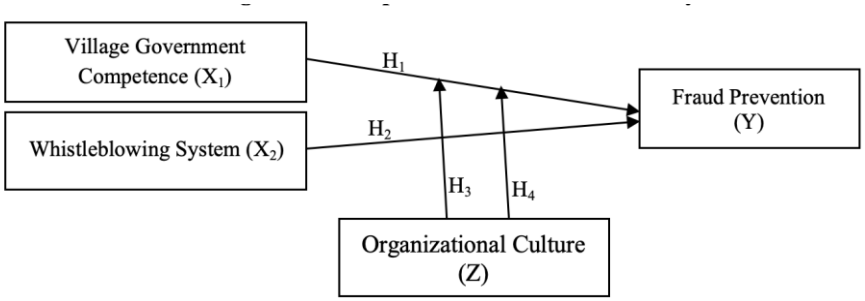
From the perspective of Stewardship Theory, organizational members' behavior is influenced not only by individual motivation but also by the organizational environment that encourages individuals to act in the best interest of the organization. An environment characterized by trust, collective commitment, and responsibility fosters pro-organizational behavior and strengthens integrity in task execution (Davis et al., 1997). Therefore, organizational culture becomes a crucial factor in shaping officials' attitudes and behavior to act honestly, transparently, and responsibly. Sutrisno, (2018) defines organizational culture as a social force that shapes mindsets, habits, and work practices within an organization. A strong organizational culture that emphasizes integrity, accountability, and compliance enhances the effectiveness of organizational competence in preventing fraud, as these values encourage the optimal utilization of organizational capabilities. Moreover, organizational culture strengthens the effectiveness of the whistleblowing system by creating a safe, open, and supportive environment for reporting violations, thereby improving internal monitoring functions. From the perspective of the Fraud Triangle Theory, a strong organizational culture reduces rationalization and reinforces social control within the organization, thereby enhancing the effectiveness of competence and the whistleblowing system in preventing fraud. Thus, organizational culture not only has a direct effect but also moderates the relationship between competence and the whistleblowing system on fraud prevention. Based on this theoretical framework, the following hypotheses are proposed:

H3: Organizational culture strengthens the effect of village government competence on the prevention of village fund fraud.

H4: Organizational culture strengthens the effect of the whistleblowing system on the prevention of village fund fraud.

Conceptual Framework

The conceptual framework of this study is illustrated as follows:



Source: Research Results,2026

Figure 1. Conceptual Framework

METHODS

This study employs a quantitative approach grounded in the philosophy of positivism, which assumes that causal relationships can be observed and measured objectively (Sekaran & Bougie, 2016). The population of this study consists of all villages in Central Buton Regency, totaling 67 villages. A census sampling technique was applied, whereby the entire population was included as the research sample (Sekaran & Bougie, 2016). The unit of analysis in this study is the village government organization. The Village Consultative Body (BPD) was selected as the respondent because it normatively holds a strategic role in village governance

in accordance with Law Number 6 of 2014. Its functions include discussing and approving village regulations, channeling community aspirations, and supervising the performance of the village head. With these roles, the BPD possesses access to relevant information and evaluative authority over planning, implementation, and reporting processes. Therefore, its perceptions are considered to represent organizational practices in village governance. Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the assistance of SmartPLS version 4 software. This method was selected because it is capable of accommodating multiple independent variables and remains robust in the presence of potential multicollinearity. The model evaluated in this study consists of the outer model (measurement model) and the inner model (structural model) (Sholihin & Ratmono, 2021).

Table 1. Operational Definitions and Measurement of Variables

No	Variable	Indicators	Item	Source	Scale
1	Fraud Prevention	Anti-Fraud Policy	2	Fajran et al., (2026)	Likert "STS – SS"
		Procedures	2		
		Transparency and Accountability	3		
		Fraud Awareness	1		
2	Village Government Competence	Human Resource Skills and Knowledge Development	1	Kusumo, (2023)	
		Effective Organizational Processes and Systems	2		
		Organizational Resource Management	1		
		Adaptive Capacity and Competitive Advantage	1		
		Communication and Organizational Collaboration	2		
3	Whistleblowing System	Structure	3	Putri, (2024)	
		Operational Mechanism	3		
		Maintenance/Sustainability	2		
4	Organizational Culture	Organizational Culture Statement	4	Polonia, (2017)	
		Collective Orientation, Commitment, and Shared Goals	3		
		Effectiveness of Organizational Communication and Interaction	1		
		Internalized Structure and Work Practices	1		

Source: Research data, 2026

RESULTS AND DISCUSSION

Results

Description of the Research Object

Central Buton Regency is one of the newly established autonomous regions in Southeast Sulawesi Province, officially formed in 2014, with its capital located in Labungkari. Geographically, this region is situated on the southern coast of Muna Island and partly on Kabaena Island, covering an area of approximately 837.16 km² to 982.83 km², and consisting of 7 districts and 67 villages. The regional characteristics are predominantly coastal villages that are directly adjacent to the Buton Strait and Bone Gulf. These areas are characterized by coastal settlements, stilt houses, and a high dependence on marine resources. In contrast, several villages are located in hilly and highland areas that are not directly connected to the sea, where the primary livelihoods are based on agriculture and plantation activities. In general, the economic structure of rural communities in Central Buton Regency is agrarian and maritime, with the majority of residents working as dryland farmers cultivating crops such as corn, upland rice, cassava, and sweet potatoes. Others are engaged as fishermen, traders, and informal sector workers. In terms of development, most villages are classified as developing villages, with gradually improving infrastructure, education, and healthcare conditions. However, only a small number of villages are categorized as advanced villages, which are generally located near district centers.

Table 2. Descriptive Statistics Results

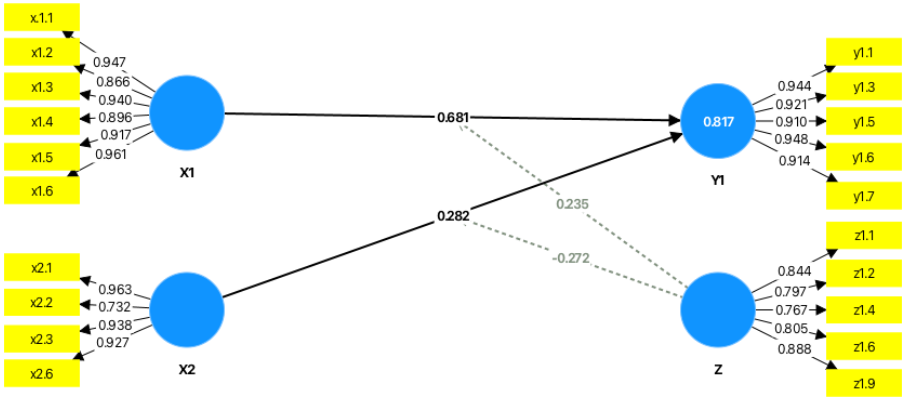
Variable	N	Theoretical Range			Empirical Range			Std. Deviation
		Min	Max	Mean	Min	Max	Mean	
X1	67	1	5	3	3.00	5.00	4.2488	0.59130
X2	67	1	5	3	3.00	5.00	4.2351	0.51471
Y	67	1	5	3	3.00	5.00	4.2657	0.55201
Z	67	1	5	3	2.20	5.00	4.2448	0.62940

Source: Processed data (2026)

Based on the results of the descriptive statistical analysis presented in Table 2, the theoretical range for all variables spans from a minimum value of 1 to a maximum value of 5, with a theoretical mean of 3, reflecting the use of a 5-point Likert scale. The empirical analysis indicates that the mean values for variable X1, X2, Y, and Z are 4.2488, 4.2351, 4.2657, and 4.2448, respectively. All empirical mean values exceed the theoretical mean, suggesting that the variables are categorized at a high level. Furthermore, the relatively low standard deviation values indicate that the data are relatively homogeneous, with limited variability in respondents' answers. Therefore, it can be concluded that the overall condition of the variables in this study reflects favorable respondent perceptions of the measured constructs.

Measurement Model (Outer Model)

The evaluation of the measurement model, also referred to as the outer model, is conducted to assess the validity and reliability of the constructs. For reflective indicators, the evaluation involves examining convergent validity and discriminant validity, which collectively form the latent constructs, as well as assessing composite reliability and Cronbach's alpha of the indicator blocks (Sholihin & Ratmono, 2021).



Source: Research Results,2026

Figure 2. SEM-PLS Results

The loading coefficient indicates the extent to which each indicator explains the variance of its corresponding latent variable. A loading value greater than 0.70 is considered acceptable (Sofyani, 2025). Convergent validity refers to the degree to which indicators measuring the same construct are consistently correlated and is assessed using the Average Variance Extracted (AVE). An AVE value of ≥ 0.50 indicates that the construct explains more than half of the variance of its indicators, thereby meeting the criteria for convergent validity (Sholihin & Ratmono, 2021).

Table 3. Outer Loadings and AVE Results

Construct	Indicators	*Outer Loading*	AVE
Village Government Competence	**X.1.1**	0.947	0.880
	X1.2	0.866	
	X1.3	0.940	

	X1.4	0.896	
	X1.5	0.917	
	X1.6	0.961	
Whistleblowing System	**X2.1**	0.963	0.801
	X2.2	0.732	
	X2.3	0.938	
	X2.6	0.927	
Fraud Prevention	**Y1.1**	0.944	0.860
	Y1.3	0.921	
	Y1.5	0.910	
	Y1.6	0.948	
	Y1.7	0.914	
Organizational Culture	**Z1.1**	0.844	0.675
	Z1.2	0.797	
	Z1.4	0.767	
	Z1.6	0.805	
	Z1.9	0.888	
	Z × X1	1.000	
	Z × X2	1.000	

Source: Processed data (2026)

Based on Table 3, most indicators exhibit outer loading values above 0.70, indicating that they adequately reflect their respective constructs. Furthermore, the AVE values for all variables exceed 0.50, suggesting that each construct explains more than 50% of the variance of its indicators. Therefore, all indicators in the model are considered valid and meet the criteria for convergent validity.

Construct Reliability

Reliability is evaluated using Cronbach's Alpha (CA). Cronbach's Alpha is considered a conservative measure, with an acceptable threshold of ≥ 0.70 (Sholihin & Ratmono, 2021).

Table 4. Reliability and Average Variance Extracted (AVE) Results

	Cronbach's alpha	Description
X1	0.964	Reliable
X2	0.914	Reliable
Y	0.959	Reliable
Z	0.880	Reliable

Source: Processed data (2026)

Based on Table 4, all constructs exhibit Cronbach's Alpha values above 0.70, thereby meeting the criteria for internal consistency reliability. Thus, all constructs in the model are considered reliable.

Discriminant Validity

The Heterotrait-Monotrait Ratio (HTMT) represents the ratio of the average correlations between indicators across different constructs to the average correlations within the same construct, thereby providing an estimate of the true correlation between two constructs. If the HTMT value approaches 1, it indicates a lack of discriminant validity. A commonly accepted threshold is < 0.90. Furthermore, significance testing can be reinforced bootstrapping confidence intervals; if the interval does not include the value of 1, discriminant validity is established (Sholihin & Ratmono, 2021).

Table 5. Heterotrait-Monotrait Ratio (HTMT)

	X1	X2	Y	Z	Z × X1	Z × X2
X1						
X2	0.701					
Y	0.892	0.739				
Z	0.357	0.240	0.251			
Z × X1	0.132	0.108	0.062	0.166		
Z × X2	0.114	0.085	0.148	0.090	0.694	

Source: Processed data (2026)

Based on Table 5, all HTMT values among constructs are below the threshold of 0.90, indicating that the model meets the criteria for discriminant validity. This confirms that each construct in the model is sufficiently distinct and does not conceptually overlap with others.

Structural Model Evaluation (Inner Model)

Collinearity Test

High multicollinearity may lead to unstable coefficient estimates and distort model interpretation. Therefore, multicollinearity was assessed using the Variance Inflation Factor (VIF). A VIF value of less than 5 indicates no serious multicollinearity issues, whereas values above 5 suggest potential multicollinearity that requires attention (Sofyani, 2025).

Table 6. Collinearity Test Results

	VIF
X1 ⇒ Y	2.045
X2 ⇒ Y	1.908
Z × X1 ⇒ Y	2.061
Z × X2 ⇒ Y	2.083

Source: Processed data (2026)

Based on Table 6, all VIF values are below 5. These results confirm that there are no serious multicollinearity issues among the exogenous variables in the model. Therefore, the path coefficient estimates can be considered stable and free from distortion due to high intercorrelations among independent variables, indicating that the structural model is appropriate for further interpretation.

Coefficient of Determination (R^2)

R^2 values of 0.75, 0.50, and 0.25 are categorized as substantial (strong), moderate, and weak, respectively, in explaining the variance of endogenous variables. An R^2 value of 0.90 or higher may indicate potential overfitting, where the model fits the sample data too closely and reduces its generalizability (Sofyani, 2025).

Table 7. Coefficient of Determination (R^2) Results

	R-square	R-square adjusted
Y	0.817	0.802

Source: Processed data (2026)

Based on Table 7, the adjusted R-square value is 0.802. This indicates that village government competence, the whistleblowing system, and organizational culture (as a moderating variable) collectively explain 80.2% of the variance in the prevention of village fund fraud. This result suggests that the research model has strong explanatory power, while the remaining 19.8% is influenced by other factors outside the scope of this study.

Predictive Relevance (Q^2)

A Q^2 value greater than zero indicates that the model has predictive relevance. Generally, Q^2 values of 0.02, 0.15, and 0.35 represent small, medium, and large predictive relevance, respectively, in PLS path models (Sofyani, 2025).

Table 8. Predictive Relevance (Q^2) Results

	SSO	SSE	Q^2 (=1-SSE/SSO)
X1	402.000	402.000	0.000
X2	268.000	268.000	0.000
Y	335.000	104.497	0.688
Z	335.000	335.000	0.000

Source: Processed data (2026)

Based on the results of the predictive relevance (Q^2) analysis, the endogenous variable (Y) has a Q^2 value of 0.688, which exceeds the threshold of 0.35. This indicates strong predictive relevance. Therefore, the model demonstrates strong predictive capability and is considered adequate.

Hypothesis Testing

The significance of the model parameters was assessed using a nonparametric bootstrapping procedure. This method generates a large number of subsamples from the original data using replacement to construct an empirical distribution of the coefficients. From this distribution, standard errors, t-statistics, and p-values are obtained to test the significance of outer loadings, outer weights, and path coefficients. A relationship is considered significant if the t-statistic > 1.96 (two-tailed test, $\alpha = 5\%$) or p-value < 0.05 (Sholihin & Ratmono, 2021).

Table 9. Bootstrapping Results

	Original sample	*Sample mean*	*Standard deviation*	*T statistics*	*P values*	Description
X1⇒Y	0.681	0.700	0.121	5.617	0.000	**Accepted**
X2 ⇒ Y	0.282	0.265	0.126	2.237	0.025	**Accepted**
Z × X1 ⇒Y	0.235	0.191	0.150	1.574	0.115	**Rejected**
Z × X2 ⇒Y	-0.272	-0.227	0.145	1.881	0.060	**Rejected**

Source: Processed data (2026)

The bootstrapping results confirm that village government competence has a positive and significant effect on fraud prevention, with a coefficient of 0.681, t-statistic of 5.617 (>1.96), and p-value of 0.000 (<0.05). Therefore, H1 is supported. Similarly, the whistleblowing system has a positive and significant effect on fraud prevention, with a coefficient of 0.282, t-statistic of 2.237 (>1.96), and p-value of 0.025 (<0.05). Thus, H2 is supported. However, organizational culture is not proven to moderate the relationship between village government competence and fraud prevention, as indicated by a t-statistic of 1.574 (<1.96) and a p-value of 0.115 (>0.05). Therefore, H3 is not supported. Likewise, organizational culture does not moderate the relationship between the whistleblowing system and fraud prevention, with a t-statistic of 1.881 (<1.96) and a p-value of 0.060 (>0.05). Consequently, H4 is also not supported.

Discussion

The Effect of Village Government Competence on the Prevention of Village Fund Fraud

The significant effect of village government competence on fraud prevention is strongly supported by the bootstrapping results, which show a t-statistic of 5.617, and a p-value of 0.000. This indicates that competence is the most dominant variable in influencing fraud prevention among all variables tested. This strong statistical relationship can be explained by examining

the indicator-level responses. Respondents reported high scores on indicators related to human resource capability, effectiveness of organizational systems, and coordination mechanisms, reflecting that village governments have relatively structured procedures and well-functioning administrative systems. From the perspective of Fraud Triangle Theory, this condition directly reduces the "opportunity" for fraud. Strong organizational competence minimizes procedural loopholes, reduces discretionary power, and strengthens supervision, thereby limiting the conditions under which fraud can occur. The magnitude of the coefficient (0.681) suggests that fraud prevention in village governance is largely driven by structural control rather than solely by individual ethical considerations. Furthermore, from a stewardship perspective, competence enhances the ability of village officials to act in the best interest of the organization by providing the necessary knowledge, systems, and coordination mechanisms. This indicates that accountability is not only a function of moral intention but is also shaped by organizational capacity. Therefore, this finding confirms that competence operates as a primary mechanism in fraud prevention by systematically reducing opportunity and strengthening governance structures within village administration. These findings are consistent with previous studies that report a positive effect of competence on fraud prevention(Wahyudi et al., 2021; Mahdi et al., 2021).

The Effect of the Whistleblowing System on the Prevention of Village Fund Fraud

The bootstrapping results indicate that the whistleblowing system has a positive and significant effect on fraud prevention, with a t-statistic of 2.237, and a p-value of 0.025. Although significant, the effect size is considerably smaller than that of competence, suggesting that whistleblowing systems play a complementary rather than dominant role in fraud prevention. This finding is supported by indicator-level responses, where respondents reported relatively high scores on reporting structure, operational mechanisms, and system sustainability. This indicates that formal reporting channels are available and functionally established within village governments. From the Fraud Triangle perspective, the whistleblowing system reduces "opportunity" by increasing the likelihood of detection and weakens "rationalization" by creating psychological pressure against unethical actions. However, the relatively lower coefficient (0.282) suggests that the presence of reporting systems alone is not sufficient to fully prevent fraud. A deeper interpretation of the indicators reveals that the effectiveness of whistleblowing systems may still be limited to structural availability rather than active utilization. In other words, while the system exists, it may not yet be optimally used due to social or organizational constraints. From a stewardship perspective, this indicates that although individuals may have the intention to act in the organization's interest, their behavior is still influenced by the perceived safety and credibility of the reporting system. Therefore, whistleblowing systems function as an important but secondary control mechanism that complements structural competence in fraud prevention. This finding is consistent with prior studies demonstrating a positive effect of whistleblowing systems on fraud prevention (Putri & Kisnawati, 2024; Budiadnyani et al., 2024; Wahyudi et al., 2021).

The Moderating Role of Organizational Culture on the Relationship between Competence and Fraud Prevention

The bootstrapping results show that organizational culture does not significantly moderate the relationship between competence and fraud prevention, as indicated by a t-statistic of 1.574 and a p-value of 0.115. This suggests that the interaction between competence and culture does not produce a stronger effect on fraud prevention. Despite respondents reporting relatively high scores on cultural indicators such as shared values, commitment, and communication, these findings indicate that such values may not be sufficiently internalized into actual organizational behavior. This creates a gap between perceived culture and enacted

culture. From the Fraud Triangle perspective, organizational culture is expected to reduce "rationalization" by embedding ethical norms. However, the insignificant moderating effect suggests that rationalization may still occur despite the presence of these values. This implies that cultural norms are not strong enough to influence decision-making processes or constrain unethical behavior. Moreover, the dominance of competence (coefficient 0.681) compared to the insignificant interaction effect indicates that structural mechanisms are more influential than cultural factors in preventing fraud. This finding challenges the assumption that culture automatically strengthens organizational effectiveness. From a stewardship perspective, this result suggests that a supportive environment alone is insufficient to enhance accountability unless it is accompanied by deeply institutionalized values and consistent behavioral enforcement. Therefore, organizational culture in this context functions more as a symbolic attribute rather than an effective control mechanism.

The Moderating Role of Organizational Culture on the Relationship between Whistleblowing System and Fraud Prevention

The bootstrapping results further reveal that organizational culture does not moderate the relationship between the whistleblowing system and fraud prevention, with a t-statistic of 1.881 and a p-value of 0.060. Although close to the significance threshold, this result indicates that culture does not significantly strengthen the effectiveness of whistleblowing systems. Indicator-level responses show that while communication and organizational interaction are perceived as relatively positive, these elements may not translate into a supportive environment for reporting misconduct. This suggests that formal communication does not necessarily equate to openness or psychological safety. From the Fraud Triangle perspective, organizational culture should reduce "rationalization" and enhance the deterrent effect of detection mechanisms. However, the findings indicate that social and structural constraints such as fear of retaliation, hierarchical relationships, and close social ties within village communities may inhibit individuals from utilizing whistleblowing systems. This creates a paradox where formal control mechanisms exist but are not fully activated due to informal social pressures. As a result, the effectiveness of whistleblowing systems remains limited, even in the presence of seemingly positive cultural values. From a stewardship perspective, this finding highlights that intrinsic motivation to protect organizational interests is insufficient when individuals do not feel safe to act. Stewardship behavior, therefore, is contingent not only on values but also on the presence of structural protection and trust. This finding provides a critical insight that in community-based governance settings, informal social dynamics may override formal control systems, thereby limiting the role of organizational culture as a moderating factor.

CONCLUSION

This study aims to examine the effect of village government competence and the whistleblowing system on the prevention of village fund fraud, with organizational culture as a moderating variable. The findings indicate that village government competence has a positive and significant effect on fraud prevention, suggesting that higher levels of organizational capability, including human resource competence, effective systems, and resource management, contribute to stronger internal control and reduced opportunities for fraud. Furthermore, the whistleblowing system is also proven to have a positive and significant effect on fraud prevention. This result implies that the existence of clear reporting mechanisms, operational procedures, and system sustainability enhances early detection and reduces the likelihood of fraudulent behavior. However, organizational culture is not proven to moderate the relationship between village government competence and fraud prevention, nor does it moderate the relationship between the whistleblowing system and fraud prevention. These findings indicate that although elements of organizational culture such as communication,

commitment, and shared values are present, they have not been fully internalized into daily practices and decision-making processes. As a result, organizational culture has not functioned as a reinforcing mechanism in strengthening the effectiveness of competence and whistleblowing systems. Overall, this study contributes to the literature by confirming the importance of organizational competence and whistleblowing mechanisms in fraud prevention within village fund management, while also highlighting that organizational culture requires deeper institutionalization to effectively act as a moderating factor.

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