

# PREVENTION FRAUD OF SUSTAINABLE VILLAGE FUND MANAGEMENT USING LOCAL WISDOM IN INDONESIA: A SYSTEMATIC REVIEW

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## Abtrak

This research aims to reveal the prevention of fraud in village funds. One way that the government can use to mitigate the risk of fraud is by applying local wisdom and preventive efforts that need to be taken. Preventing fraud in managing village funds is very important to identify practices that are detrimental and undermine the integrity of the use of funds. The method used was a systematic literature review, and by reviewing 30 related journals, several preventions of village fund fraud in Indonesia were identified. Strengthening Ethics and Cultural Values, Building Community Awareness, Transparency and Accountability, Encouraging Collaboration between Interested Parties and Respecting Cultural Diversity, by utilizing Indonesian culture as a foundation, it is hoped that fraud prevention efforts can be more effective and sustainable, and create a fairer society, have integrity, and progress.

**Keywords:** Village Fund, Sustainable, Fraud, Prevention, Local Wisdom.

## I. INTRODUCTION

Rural development is a crucial part of national development efforts. Efforts to develop rural areas have been made by both central and regional governments, as well as communities, through various programs and policies. The Village Innovation Program is one such initiative supported by the government to enhance the welfare of rural communities and promote the quality utilization of village funds.

Additionally, the program aims to uncover the potential within local villages. Many village innovation programs are already underway in Indonesia, including the promotion of flagship village products. The management of village funds must also consider fairness, appropriateness, and benefits for rural communities.

The availability of various regulations is deemed insufficient to demonstrate the government's seriousness in empowering villages. Proper and compliant management of village funds is necessary to avoid moral hazards in achieving rural development goals, thereby preventing the repetition of biased development practices that harm village life. (Aini et al., 2017).

It is hoped that village budgets will contribute to the advancement and prosperity of rural areas. Furthermore, according to Dianto (2019), existing village innovation programs are expected to develop the potential of local economies and entrepreneurship. Additionally, these programs encourage the development of human resources as innovation is key to rural development.

The phenomenon of misappropriation of village funds has caused concern among both the populace and the government in general. The surge in corruption in the village sector reflects poorly on the government's policy evaluation for rural areas (Djasuli, 2018).

Cases of corruption illustrate a new face of villages, which were previously believed to be part of development but have now become new grounds for corruption. Corruption and misuse of Village Budgets (APBDes) can have significantly negative impacts on the hopes for improving the welfare of rural communities and rural development (Wijayanti et al., 2019). This underscores the importance of uncovering patterns of corruption in the use of village funds.

The objective is prevention and ensuring that fund utilization is appropriate. Identifying patterns of corruption helps determine whether funds are used appropriately and efficiently for beneficial projects, thus promoting transparency and accountability in village fund management. This can be achieved by identifying areas where potential fraud may occur and implementing control measures and supervision (Wijayanti et al., 2019). Disclosing patterns of corruption also serves to protect rural communities, as they are the primary stakeholders in the use of village funds. This ensures that the potential exploitation and misuse of funds intended for village progress are prevented.

The village budget, which is expected to advance and prosper the village, contributes to the improvement of public services and village development. However, over time, the funds allocated for this purpose have seen an increasing number of deviations with potential for corruption each year. The issue of corruption at the village level is often premeditated during the early stages of village development planning. This can involve designing development programs in a way that creates opportunities for corruption or inflating program budget allocations beyond what is necessary.

The phenomenon of misappropriation of village funds has caused unrest among the community and the government at large. The surge in corruption in the village sector reflects poorly on the government's policy evaluation for rural areas. All cases of corruption have transformed villages, once believed to be part of development, into new grounds for corruption. Misuse and corruption of Village Budgets (APBDes) can have significantly negative impacts on the hopes for improving the welfare of rural communities and rural development. The moral integrity of individual employees can influence the tendency for embezzlement of village funds.

This can be said because individuals with high morality tend to have good integrity and are reluctant to violate rules even when presented with opportunities for misconduct. Good individual morality will prevent someone from committing fraud even under the greatest pressure. This can occur because if an individual is grounded in good ethics and has good values and norms, they are inclined to abide by rules. If an organization has a good ethical culture, it will create a positive work environment and foster noble behavior.

A good work environment will tend to discourage employees from violating established rules and norms. The misuse of village finances occurs due to the lack of community participation in the development and monitoring of village budgets (Ardiana & Sugianto, 2020). Village Consultative Bodies do not function properly. Village finances are at a critical point in their management due to the lack of competence among village officials and staff, as well as insufficient facilities and infrastructure, despite various

laws and regulations aimed at preventing mismanagement of village funds (Utami & Ibrahim, 2019).

The phenomenon described above indicates that the ideal conditions of village governance related to the effectiveness of implementing internal control systems are worth examining to prevent corrupt practices related to village fund management.

In research conducted by Wibisono (2017), it was found that the lack of guidance and supervision provided by district heads, inspectorates, Village Consultative Bodies, and the insufficient human resources responsible for village fund management and village heads are the root causes of the tendency for misappropriation of village funds. Village administrations in managing village funds need to uphold sincerity and provide as wide a scope as possible, ensuring that internal control systems reach all parties. Embezzlement of village budgets is the largest contributor to corruption cases in Indonesia.

This indirectly indicates the weak oversight and transparency of village budgets by the village government, and it suggests that the community is not involved in monitoring village budgets for appropriately prioritized village activities. Another factor that can enhance fraud prevention is reasonable internal controls within organizations.

However, in practice, fraud in village financial management can be reduced through various means, one of which is by implementing local culture to impose sanctions on fraudulent actors while simultaneously enhancing accountability. It is not uncommon for individuals contemplating fraud to reconsider their actions (Ab et al., 2014; Ghazali, Rahim, Ali, & Abidin, 2014b; Mustikawati et al., 2017; Purnamasari & Amaliah, 2015).

## II. RESEARCH METHODOLOGY

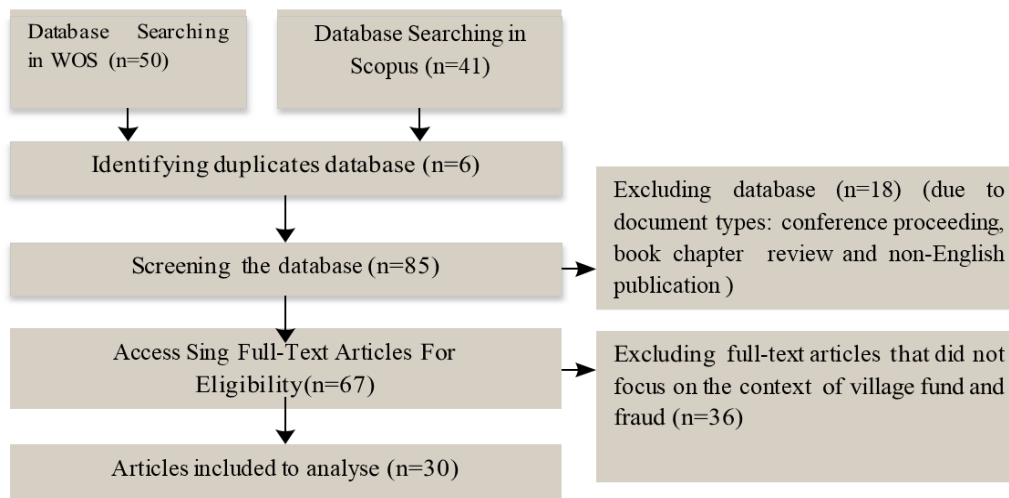
This research was conducted through a systematic literature review on the topic of preventing corruption in village funds. A systematic literature review is a research method and process for identifying and critically evaluating relevant studies, as well as for collecting and analyzing data from those studies. The aim of a systematic literature review is to provide an up-to-date summary of the current state of research knowledge. Additionally, a systematic literature review also discusses the main issues commonly encountered in research, which are often referred to as research biases. This systematic literature review gathers all relevant empirical evidence based on predefined eligibility criteria to address predetermined research questions. In this review article, 30 references were selected based on formulated criteria.

### A Systematic Review Process

There are four steps involved in the systematic review process: identification, screening, eligibility, and inclusion (Figure 1). The identification process is the initial step in the stage. First, identification is carried out using keywords integrated into the process of related articles in both Scopus and WOS databases. It should be noted that keywords such as village funds and corruption are used. Next, the screening stage yielded 6 duplicate articles.

In the first step, 85 references were eligible, but after this process, 18 articles were excluded due to document type. Specifically, only journal articles selected from the Scopus and WOS databases were chosen, and they had to be written and published in English to avoid translation issues and confusion. Thirdly, 16 references were eliminated because they did not focus on the main research areas of village funds and

corruption. Thus, in the end, 30 empirical journal articles were used in this systematic literature review. The following is a flowchart of the literature search and selection process used by the researchers in conducting the study:



**Figure 1: Flow of Systematic Review of Searching**

### III. RESULTS AND DISCUSSION

#### Journal Analysis of Research Question

Based on the criteria above, figure 1 lists some survey results from 30 articles on village funds. According to the statistics, most articles pay more attention to fraud prevention efforts. Several journal articles have shown efforts to prevent corruption in village funds in Indonesia. Additionally, the majority of literature argues that preventing fraud in village fund management is crucial for identifying harmful practices and maintaining the integrity of fund usage. In this subsection, a review will be conducted on efforts to prevent corruption in the management of village funds in Indonesia with local wisdom.

#### Impact of Village Fund Fraud

The impact of village fund fraud is quite significant, both for the state and the rural community. Economically, village fund fraud can harm the state because funds that should be used for development and public services in villages are instead used for personal or specific group interests. Additionally, the rural community is also disadvantaged because development and public services in villages are not properly implemented (Vousinas, G. (2018).

Village fund fraud has a profound impact on both the state and rural communities, with economic repercussions being particularly pronounced. When funds intended for village development and public services are diverted for personal gain or specific group interests, several consequences unfold:

**Economic Disruption:** The misallocation of funds due to fraud disrupts planned economic activities and development projects in rural areas. This can lead to delays or cancellations of crucial infrastructure projects, agricultural initiatives, healthcare facilities, and educational programs.

**Reduced Quality of Public Services:** Villages rely on allocated funds to improve public services such as roads, schools, healthcare centers, and sanitation facilities. Fraudulent practices result in these services being underfunded or neglected, directly impacting the quality of life for rural residents.

**Inequality and Social Strain:** Village fund fraud exacerbates socio-economic inequalities by diverting resources away from marginalized communities that need them the most. This creates a sense of injustice and frustration among rural populations, leading to social tensions and strained community relations.

**Loss of Trust in Governance:** When village funds are misused or embezzled, it erodes public trust in governmental institutions and leadership. Citizens lose confidence in the transparency and accountability of public spending, which can have long-term consequences for democratic processes and civic engagement.

**Stifled Economic Growth:** Rural development is essential for sustainable economic growth at the national level. Village fund fraud hampers development initiatives, impedes entrepreneurship opportunities, and discourages private investment in rural areas, thereby stifling overall economic progress.

**Environmental Degradation:** Development projects funded by village funds often include environmental conservation efforts. Fraudulent diversion of these funds can lead to unchecked environmental degradation, deforestation, pollution, and loss of biodiversity, further exacerbating ecological challenges.

**Legal and Reputational Risks:** Apart from the direct economic impact, village fund fraud exposes individuals and institutions to legal risks, including investigations, prosecutions, and potential penalties. Moreover, it tarnishes the reputation of government bodies and organizations involved, affecting their credibility and ability to attract funding and partnerships.

Addressing village fund fraud requires comprehensive measures such as strengthening financial oversight, implementing strict accountability mechanisms, promoting transparency in fund allocation and utilization, empowering local communities in decision-making processes, and enforcing punitive measures against perpetrators. These efforts are crucial for restoring public trust, promoting sustainable development, and fostering inclusive growth in rural areas.

### **Efforts in Prevention and Mitigation of Village Fund Fraud**

Efforts to prevent and address village fund fraud must be conducted comprehensively, through synergy between the government, rural communities, and relevant stakeholders. The government needs to enhance supervision over the use of village funds, both through internal and external audits. Rural communities also need to be involved in overseeing the use of village funds through active participation in village meetings and monitoring the implementation of development projects ( Atmadja, *et al.*2017) Efforts to prevent and address village fund fraud must be conducted comprehensively, through synergy between the government, rural communities, and relevant stakeholders. The government needs to enhance supervision over the use of village funds, both through internal and external audits. Rural communities also need to be involved in overseeing the use of village funds through active participation in village meetings and monitoring the implementation of development projects (Kurniawan, *et al.* 2020).

### **Concrete Steps that can be taken Include:**

**Internal and External Audits:** The government should regularly conduct internal and external audits of village fund usage. These audits aim to ensure transparency and accountability in managing village funds and detect potential misuse.

**Training and Capacity Building:** Providing training and capacity building to village officials and fund managers in good financial management practices, transparent governance, and fraud prevention.

**Strengthening Community Oversight:** Encouraging active participation of rural communities in overseeing the use of village funds through the establishment of monitoring teams or transparency committees involving community leaders, youth, and women.

**Reporting and Complaint Handling:** Facilitating a mechanism for reporting complaints related to village fund misuse and ensuring protection for whistleblowers who disclose information about fraud or corruption.

**Utilizing Technology:** Implementing information and communication technology to strengthen village fund management, such as an online financial transparency reporting application accessible to the public.

**Enforcing Strict Penalties:** Imposing strict penalties on individuals involved in village fund misuse, including dismissal, recovery of misused funds, and legal proceedings according to applicable laws.

By implementing these measures collectively, it is hoped that the risk of village fund fraud can be minimized, the effectiveness of fund utilization for rural development can be enhanced, and trust in the government and relevant institutions can be strengthened (Kusumo, *et al.* 2018).

### **Strengthening Ethics and Cultural Values**

Publishing and strengthening the cultural values of Indonesia that promote integrity, honesty, and responsibility. This can be achieved through education and socialization at various levels of society, including in schools and government institutions (Wahyudi, *et al.* 2019).

Publishing and strengthening the cultural values of Indonesia that promote integrity, honesty, and responsibility can be a transformative endeavor. This can be achieved through education and socialization at various levels of society, including in schools and government institutions (Wahyudi, *et al.* 2021).

Here are some strategies to effectively promote these values:

**Incorporating Values Education in Schools:** Integrate lessons and activities that emphasize integrity, honesty, and responsibility into the curriculum at all levels of education. This includes teaching students about ethical decision-making, the consequences of dishonesty, and the importance of accountability.

**Cultivating Role Models:** Highlight individuals and organizations that embody these values as role models for society. Recognize and celebrate integrity-driven leaders, professionals, and community members who uphold ethical standards in their actions and decisions.

**Engaging Religious and Community Leaders:** Leverage the influence of religious leaders and community figures to promote integrity and ethical behavior. Encourage them to incorporate teachings on honesty, fairness, and responsibility into their sermons, speeches, and community programs.

**Conducting Awareness Campaigns:** Launch public awareness campaigns that emphasize the importance of integrity, honesty, and responsibility in everyday life. Use various media channels, including social media, posters, workshops, and community events, to reach a wide audience and encourage positive behavior change.

**Providing Training and Capacity Building:** Offer training programs and capacity-building initiatives for government officials, educators, business leaders, and civil society activists on ethics, anti-corruption measures, and good governance practices. Empower them with the knowledge and skills to uphold ethical standards in their respective roles.

**Rewarding Ethical Behavior:** Create incentives and recognition programs to reward individuals and organizations that demonstrate exemplary integrity, honesty, and responsibility. This reinforces positive behavior and encourages others to follow suit.

By implementing these strategies, Indonesia can foster a culture of integrity, honesty, and responsibility that permeates all aspects of society, from grassroots communities to the highest levels of governance. This cultural transformation can contribute significantly to sustainable development, social cohesion, and ethical leadership in the nation (Widiyarta, K., *et al.* 2017).

### **Building Community Awareness**

Encouraging active participation of the community in efforts to prevent fraud by raising awareness of the negative impacts of corruption practices or abuse of power. Through public campaigns and open discussions, a culture of mutual surveillance and reporting of suspicious behavior can be fostered (Umar, *et al.* 2018).

Encouraging active participation of the community in efforts to prevent fraud involves raising awareness about the negative impacts of corruption practices or abuse of power. Through public campaigns and open discussions, a culture of mutual surveillance and reporting of suspicious behavior can be fostered. Here are key steps to achieve this:

**Educational Campaigns:** Launch educational campaigns aimed at informing the public about the detrimental effects of corruption and abuse of power. Use various platforms such as media, social media, community events, and workshops to reach a wide audience and raise awareness.

**Highlighting Consequences:** Illustrate the real-life consequences of corruption on individuals, communities, and the nation as a whole. Show how corruption leads to inequality, hinders development, erodes trust in institutions, and undermines social justice.

**Empowering Whistleblowers:** Provide protection and support for whistleblowers who report corruption or suspicious activities. Ensure that there are clear mechanisms in place for reporting anonymously and without fear of reprisals.

**Promoting Transparency:** Advocate for transparency in government processes, public spending, and decision-making. Encourage the publication of financial reports,

contracts, and other relevant information to enhance accountability and deter fraudulent practices.

**Engaging Civil Society:** Collaborate with civil society organizations, NGOs, and grassroots movements dedicated to combating corruption. Utilize their expertise, networks, and advocacy platforms to amplify anti-corruption efforts and engage the community.

**Incorporating Ethics Training:** Integrate ethics training and anti-corruption education into school curricula, professional development programs, and training sessions for public servants and private sector employees. Instill a strong ethical foundation early on to prevent corrupt behavior in the future.

**Creating Reporting Channels:** Establish accessible and confidential reporting channels for the public to report suspected cases of corruption or abuse of power. Ensure that these channels are well-publicized and easy to use, encouraging active community participation in monitoring and reporting.

**Recognizing and Rewarding Integrity:** Recognize and reward individuals, organizations, and communities that demonstrate integrity and ethical behavior. Highlight success stories of those who actively contribute to preventing fraud and promoting transparency (Uskara, , *et al.* 2019).

By implementing these strategies, a culture of mutual surveillance and reporting can be cultivated within the community, leading to increased vigilance against fraud, corruption, and abuse of power. This collective effort plays a crucial role in safeguarding public resources, promoting accountability, and fostering a culture of integrity and trust (Wahyudi, et al. 2022).

### **Promoting Transparency and Accountability**

Strengthening transparent and accountable monitoring and reporting systems across various aspects of life, including in business, government, and societal institutions. By providing greater access to the public to monitor and review public activities, dishonest practices can be avoided (Wahyuningsih, I. (2020);Wida, et al..(2017).

### **Encouraging Collaboration among Stakeholders**

Mobilizing support and cooperation among the government, private sector, civil society, and other non-governmental institutions to address issues of fraud. Through this collaboration, a greater collective strength can be created to counteract harmful practices.

Encouraging collaboration among stakeholders is essential in mobilizing support and cooperation to address issues of fraud effectively. By bringing together the government, private sector, civil society, and other non-governmental institutions, a greater collective strength can be created to counteract harmful practices. Here are key strategies to encourage collaboration:

**Establishing Multi-Stakeholder Platforms:** Create platforms or forums where representatives from the government, private sector, civil society, academia, and relevant organizations can come together to discuss fraud-related issues, share best practices, and develop joint initiatives.



**Promoting Dialogue and Information Sharing:** Facilitate open dialogue and information sharing among stakeholders to exchange insights, data, and resources related to fraud prevention and detection. Encourage transparency and mutual trust in these interactions.

**Joint Advocacy and Policy Development:** Collaborate on advocacy efforts to promote anti-fraud policies, legislation, and regulatory frameworks. Work collectively to strengthen legal mechanisms, enforcement mechanisms, and penalties for fraudulent activities.

**Capacity Building and Training Programs:** Develop joint capacity building and training programs aimed at enhancing skills, knowledge, and awareness among stakeholders about fraud prevention, detection, and reporting. Offer specialized training on forensic accounting, investigative techniques, and ethical conduct.

**Utilizing Technology for Collaboration:** Leverage technology platforms and digital tools to facilitate collaboration, communication, and data sharing among stakeholders. Implement secure systems for reporting fraud incidents, tracking progress, and sharing relevant information in real time.

**Engaging in Public Awareness Campaigns:** Collaborate on public awareness campaigns to educate the general public about the risks and consequences of fraud, as well as the importance of reporting suspicious activities. Use diverse media channels and creative messaging to reach a wide audience.

**Encouraging Corporate Social Responsibility (CSR):** Encourage private sector entities to prioritize ethical business practices, integrity, and compliance with anti-fraud measures as part of their corporate social responsibility initiatives. Foster partnerships between businesses and civil society organizations to promote transparency and accountability.

**Creating Task Forces or Working Groups:** Establish joint task forces or working groups focused on specific aspects of fraud prevention and mitigation. These groups can conduct research, develop strategies, and implement action plans collaboratively.

By fostering collaboration among stakeholders, including the government, private sector, civil society, and academia, a comprehensive and coordinated approach to combating fraud can be achieved. This collaborative effort harnesses diverse expertise, resources, and perspectives to strengthen fraud prevention mechanisms, enhance detection capabilities, and promote ethical conduct across sectors (Wijayanti, et al. 2019).

### **Appreciating Cultural Diversity**

Understanding and appreciating the cultural diversity of Indonesia can serve as a foundation for building a sense of mutual respect and compassion towards others. By valuing these values, it is hoped to encourage attitudes that respect the law and prevailing social norms (Mulyani, *et al.* 2020)

Understanding and appreciating the cultural diversity of Indonesia can serve as a strong foundation for building a sense of mutual respect and compassion towards others. By valuing these cultural values, it is hoped to encourage attitudes that respect the law and prevailing social norms. Here's how appreciating cultural diversity can contribute to fostering a society that upholds integrity and ethical behavior:

**Cultural Sensitivity and Inclusivity:** Appreciating cultural diversity involves respecting and embracing the unique traditions, beliefs, languages, and practices of different ethnic groups and communities within Indonesia. This fosters a sense of inclusivity and mutual understanding, reducing the likelihood of discrimination or marginalization based on cultural differences.

**Ethical Framework Rooted in Cultural Values:** Many cultural traditions in Indonesia emphasize values such as honesty, integrity, humility, and community cooperation. By integrating these cultural values into ethical frameworks and educational curricula, individuals are encouraged to uphold ethical behavior that aligns with their cultural heritage.

**Building Trust and Social Cohesion:** Appreciating cultural diversity creates an environment of trust and social cohesion where individuals from diverse backgrounds feel valued and respected. This sense of belonging fosters positive relationships, collaboration, and collective responsibility in upholding societal norms and legal principles.

**Promoting Cross-Cultural Dialogue:** Encouraging open dialogue and exchanges between different cultural groups promotes mutual learning, empathy, and cross-cultural understanding. This dialogue can help bridge gaps, dispel stereotypes, and foster a deeper appreciation for diverse perspectives and experiences.

**Celebrating Cultural Heritage:** Acknowledging and celebrating Indonesia's rich cultural heritage through festivals, cultural events, and heritage preservation initiatives reinforces a sense of pride and identity among citizens. This pride can translate into a shared commitment to uphold ethical standards and cultural values.

**Empowering Marginalized Communities:** Appreciating cultural diversity also involves empowering marginalized communities to participate fully in societal affairs, access opportunities, and contribute to decision-making processes. Empowerment fosters a sense of agency and responsibility, promoting adherence to ethical norms and legal principles.

**Education and Awareness:** Incorporating cultural diversity education and awareness programs in schools, workplaces, and communities helps instill respect, empathy, and tolerance among individuals. It also promotes critical thinking and ethical reasoning based on cultural contexts and perspectives.

Overall, appreciating cultural diversity not only enriches societal fabric but also strengthens the ethical foundation of a nation. By valuing cultural heritage, fostering inclusivity, and promoting cross-cultural understanding, Indonesia can nurture a culture of integrity, respect for the law, and adherence to ethical norms that transcend cultural boundaries (Saputra, et al. 2022; Siahaan, et al. 2019)

### **Challenges in Detecting Fraud Patterns**

Despite efforts to detect patterns of fraud in village fund management, there are several challenges that need to be addressed, such as limited access to financial data, lack of technical understanding at the village level, and coordination issues among supervisory institutions (Dianto, , 2019).

Despite efforts to detect patterns of fraud in village fund management, there are several challenges that need to be addressed. These challenges include limited

access to financial data, lack of technical understanding at the village level, and coordination issues among supervisory institutions.

**Limited Access to Financial Data:** One of the significant challenges is the limited availability and accessibility of financial data related to village fund management. This lack of transparency makes it difficult for auditors and oversight bodies to conduct thorough assessments and identify potential fraud patterns.

**Lack of Technical Understanding at the Village Level:** In many cases, individuals responsible for managing village funds may lack the technical knowledge and skills required to accurately record financial transactions, maintain proper documentation, and detect irregularities or discrepancies. This gap in expertise can facilitate fraudulent activities that go unnoticed.

**Coordination Issues Among Supervisory Institutions:** Effective fraud detection requires close coordination and collaboration among various supervisory institutions, including government agencies, auditors, law enforcement, and civil society organizations. However, coordination issues, overlapping responsibilities, and information silos can hinder the timely detection and prevention of fraud.

**Limited Resources for Monitoring and Oversight:** Insufficient resources, both in terms of manpower and technology, can impede efforts to monitor village fund management effectively. Without adequate resources for conducting audits, implementing internal controls, and conducting regular inspections, fraudulent activities may go undetected.

**Complexity of Fraud Schemes:** Fraudsters often employ sophisticated schemes and techniques to conceal fraudulent activities, making it challenging for traditional monitoring methods to detect irregularities. These schemes may involve falsifying documents, collusion among stakeholders, or exploiting loopholes in existing control mechanisms.

**Resistance to Change and Accountability:** Addressing fraud requires a culture of accountability, transparency, and willingness to adopt best practices. However, resistance to change, vested interests, and lack of accountability mechanisms can hinder efforts to implement effective fraud detection and prevention measures. To overcome these challenges and improve fraud detection in village fund management, it is essential to:

Enhance transparency and data accessibility by digitizing financial records and implementing systems for real-time monitoring. Provide training and capacity building programs for village officials and stakeholders to enhance their technical skills and understanding of fraud risks. Foster collaboration and coordination among supervisory institutions through information sharing, joint investigations, and regular communication channels. Allocate sufficient resources for monitoring, auditing, and oversight activities, including investing in technology tools for fraud detection. Promote a culture of integrity, accountability, and ethical conduct through awareness campaigns, ethics training, and whistleblower protection mechanisms.

By addressing these challenges and implementing proactive measures, stakeholders can strengthen the resilience of village fund management systems against fraud and promote transparency and accountability in public financial management (Purwadinata., *et al* 2018; Purwadinata, *et al.* 2019; Shaleh, *et al* 2022).

## CONCLUSION

Fraud in village funds is a serious problem that needs immediate attention. There is a need for integrated efforts in prevention and mitigation involving all relevant stakeholders. Thus, it is hoped that fraud in village funds can be reduced and the use of village funds can provide maximum benefits to the rural community. Prevention can also be carried out through the implementation of local cultural wisdom such as Strengthening Ethics and Cultural Values, Building Community Awareness, Transparency and Accountability, Encouraging Collaboration among Stakeholders, and Appreciating Cultural Diversity. By utilizing Indonesian culture as a foundation, it is hoped that efforts to prevent fraud can be more effective and sustainable, creating a fairer, more integrity-driven, and progressive society.

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