

STRENGTHENING TRANSPARENCY AND ACCOUNTABILITY IN VILLAGE FUND MANAGEMENT THROUGH A FINANCIAL LAW APPROACH

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Abstract

This study explores ways to make Village Funds management in Indonesia more open and responsible by using both financial law ideas and digital governance strategies in today's digital world. This study is important because there are still problems with managing village money, like not having enough trained people, weak internal controls, and constant corruption, even though there are more laws and digital tools like SISKEUDEDES being used. The purpose of this research is to see how legal rules fit with what is really happening, to judge how well digital systems make things more transparent, and to discover ways to encourage governance that is responsible and prevents corruption. The study uses a qualitative method that combines legal study with real-world research to look at important laws —like Law No. 6/2014, Minister of Home Affairs Regulation No. 20/2018, and Minister of Villages Regulation No. 6/2020—along with actual information gathered from observations and documents. The findings show that digital technology greatly improves how correct reports are, the tracking of audits, and the public's ability to see financial information, but its success depends on administrative skills, technology setup, and the regular enforcement of legal guidelines. It determines that to improve how Village Funds are governed, there needs to be a strong legal foundation, skill development, effective monitoring systems, and digital tools that encourage transparency, responsibility, and community involvement.

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I. Introduction

The background to this research stems from Indonesia's national priority of strengthening village financial governance as part of the fiscal decentralization agenda. Village Funds play a crucial role in promoting community empowerment and rural development, with an allocation reaching IDR 187.68 trillion in the 2015–2018 period, demonstrating the government's commitment (Mudhofar, 2022). However, numerous issues related to transparency and accountability remain prevalent in many villages (Setiyawan & M Ec, 2022). Limited apparatus capacity, weak community collaboration, and ineffective internal controls are key obstacles preventing the implementation of regulations, such as Home Affairs Ministerial Regulation No. 20 of 2018, from running optimally (Annisa et al., 2023; Jihad et al., 2022). Social, economic, and institutional challenges at the local level also exacerbate the gap between legal regulations and field practice, as evidenced by field findings in various regions that demonstrate low levels of professionalism among officials and minimal oversight in Village Fund management (Fadilla et al., 2023; Ghassani et al., 2023).

Although the legal framework for Village Fund management establishes principles of transparency, accountability, participation, and careful budgeting, implementation gaps persist in many areas (Mudhofar, 2022). Case studies, such as those in Karta Jaya Village in 2022, revealed various obstacles, including delays in the preparation of the Village Budget (APBDes) and non-compliant implementation (Attaqy & Khairudin, 2022). Furthermore, the level of utilization of digital technology as a means of transparency varies across villages. Many villages still rely on conventional media such as billboards, while the use of digital platforms remains very limited due to low digital literacy among officials, a lack of ICT facilities, and low awareness of the importance of accountability (Lajaba et al., 2022; Nurindah & Sari, 2023). These challenges are further exacerbated by the increase in Village Fund

corruption cases, which rose from 17 in 2015 to 154 in 2021, highlighting weak oversight and the need for governance reform (Amelia et al., 2023).

The implementation of digital technologies such as SISKEUDes offers significant potential for improving the quality of village financial planning, reporting, and transparency (Arfiansyah, 2020; Bawono et al., 2020). However, the success of these digital systems depends on regulatory readiness, human resource capacity, and adequate technological infrastructure. Regulations such as Permendes No. Law No. 6 of 2020 has emphasized the importance of information transparency and accountability of village officials to the public, and emphasized the need for oversight that includes whistleblowing mechanisms and internal controls (Akhyar et al., 2022; Meidina et al., 2022). Therefore, the integration of legal and digital approaches is a strategic necessity to strengthen Village Fund governance, particularly in preventing irregularities, increasing transparency, and expanding public participation.

The research problem formulation covers several key aspects affecting Village Fund governance. First, there is a problem related to the inconsistency between the legal framework for Village Fund management and field practices, where existing regulations have not fully encouraged transparent and accountable implementation. Second, the effectiveness of digital technology in supporting transparency and accountability has not been optimal, thus the goal of digitalization in the village government system has not been fully achieved. Third, various administrative, social, and technical barriers persist that weaken the implementation of transparency and accountability principles in Village Fund management. Fourth, the integration between legal and digital approaches has not been fully realized, thus their potential to strengthen village financial governance, including in preventing corruption, has not been fully utilized. The purpose of this study is to analyze the alignment between legal regulations governing Village Fund management and field practices, evaluate the

effectiveness of digital technology in supporting transparency and accountability, identify factors hindering the implementation of good village financial governance, and formulate legal and digital-based strategies that can strengthen Village Fund management in the context of fiscal decentralization. This study also aims to provide practical recommendations for enhancing rural development, strengthening oversight, and reducing the risk of corruption through the integration of law and technology.

Relevant previous research includes Arfiansyah's (2020) study, which emphasized that the effectiveness of SISKEUDEES is highly dependent on the competence of village officials and infrastructure readiness. Annisa et al. (2023) demonstrated that the implementation of Village Fund regulations is hampered by limited administrative capacity strategic and weak internal controls. Furthermore, Lajaba et al (2022) found that the utilization of digital technology to support transparency remains low due to limited digital literacy and a bureaucratic culture that is not yet adaptive to technology. These three studies illustrate that Village Fund governance depends not only on digital systems or legal frameworks, but also on the village's ability to integrate the two effectively.

The research gap is evident in the limited number of studies that combine financial law analysis with the simultaneous use of digital governance. Most studies focus solely on legal or technological aspects, resulting in few discussions about how the two aspects complement each other in practice. Furthermore, previous research has not deeply explored the role of the community, whistleblowing, and internal oversight in reducing the growing risk of corruption at the village level. This situation suggests the need for a more holistic approach to understanding the dynamics of Village Fund governance.

This research offers a novel approach by comprehensively integrating financial

law and digital governance approaches to strengthen transparency and accountability in Village Fund management. This research not only discusses legal norms and digital systems but also analyzes their interaction in practice, including the influence of social factors, apparatus capacity, and technological infrastructure. Empirical findings related to the role of the community, internal oversight mechanisms, and the potential of whistleblowing in preventing corruption provide significant added value. Furthermore, this research produces a legal and technology-based governance model that can be implemented in various villages, as well as more applicable policy recommendations to strengthen village financial governance in the digital era.

2. Research Method

This research uses a qualitative approach that integrates a normative legal methodology with empirical study in order to examine transparency and accountability in the management of Village Funds in the digital era. The regulatory component examines the legal framework, which comprises regulations such as Minister of Home Affairs Regulation No. 20/2018, Minister of Villages Regulation No. 6/2020, and Law No. 6/2014, using doctrinal review and legal interpretation. The aim is to evaluate the consistency between government practice and legal obligations, the adequacy of regulations, and the logical consistency of the law, which corresponds to the characteristics of normative legal research, which prioritizes systematic interpretation and legal materials over quantitative assessment (Disemadi, 2022).

The empirical section examines the real-world application of these legal norms, with a particular focus on the use of community participation, internal controls, reporting protocols, and Siskeudes. A doctrinal-empirical method is often recommended as a means of comprehending the reasoning behind legal principles as well as the real-world experiences of administrative participants (Budianto, 2020). Data was gathered through semi-structured interviews with village authorities,

community leaders, members of the BPD, and sub-district supervisors, as well as through observations and document analysis of public disclosure media, SISKEUDES outputs, and APBDes reports.

Normative data came from academic papers on public financial governance, regulations, legislation, and government explanations. Next, the empirical data were coded thematically in order to identify patterns in administrative capacity, digital literacy, fraud risk reduction, community oversight, and the congruence between norms and practice. This adheres to socio-legal research norms, which prioritize systematic coding and open reporting (Chin et al., 2021).

Triangulation of interviews, papers, and observations, along with member checking with selected respondents, all helped to establish validity. Moral guidelines like informed consent, confidentiality, and data protection were strictly followed.

By integrating doctrinal analysis with field insights, this approach provides a thorough grasp of how digital resources, legal rules, and administrative procedures affect transparency and accountability in the Village Fund's management. It also promotes the development of evidence-based policy suggestions that support Indonesia's objectives for fiscal decentralization and good governance.

3. Results and Discussion

A. Implementation of Digitalization, Legal Framework, and Accountability Mechanisms in Village Fund Management

According to multiple research, digitization using the Village Financial System (SISKEUDES) has been found to improve the clarity and accountability of Village Fund administration in Indonesia. The Financial and Development Supervisory Agency (BPKP) created the digital application SISKEUDES, which has proven to be an important tool for village governments to manage finances in a more structured manner, from initial planning to final reporting (Asih & Adiputra, 2022; Saptomo et

al., 2022).

This technology streamlines the production of financial and development records, increasing public access to information and fostering public confidence in community fund management (Trisnawati et al., 2020). According to real-world observations, using SISKEUDES considerably improves openness by generating a digital record that allows for easy monitoring of each instance of budget expenditure (Mardaw et al., 2022).

Furthermore, digitalization facilitates integration with a more transparent reporting system, allowing numerous stakeholders access to financial information in real time, reducing opportunities for manipulation or misuse of monies. According to research conducted in Kukutio Village, Kolaka Regency, SISKEUDES simplifies documentation, speeds up the reporting timeline, and reduces the possibility of fund misappropriation.

The system has assisted village authorities in improving transparency in accordance with Home Affairs Ministerial Regulation No. 20 of 2018, yielding tangible and quantifiable benefits, including as improved performance of village government personnel and increased community monitoring from the start of planning through final evaluation. By making budget planning, execution, and reporting more efficient, the digitalization of Village Funds enhances operational effectiveness.

The digitization of data enables automated transaction recording, the creation of a complete audit trail, and decreased subjectivity in the budgeting process by use of standard processes and tiered approval systems (Hariyanti et al., 2021). According to research, the adoption of digital technology reduces the potential of power misuse, perhaps acting as a beneficial tool in fraud prevention. According to studies conducted in many villages, SISKEUDES is significantly improving the quality of village financial reports, expediting the handling of Village Budgets (APBDes), and

increasing transparency and accountability in the management of Village Funds.

According to agency theory, the process of digitization serves as a monitoring system that reduces the information gap between the principle, which represents the community, and the agent, which is the village government; this, in turn, improves the level of accountability in the management of Village Funds. Agency theory emphasizes the need for tight monitoring of financial governance at the hamlet level to verify that all money are used properly for the benefit of the community. SISKEUDES reduces conflicts of interest and moral risks by recording and auditing each transaction as it occurs, using a transparent monitoring and reporting system.

From the standpoint of stewardship theory, the incorporation of digital technologies creates a setting in which village administrators, in their capacity as stewards, are encouraged to prioritize the welfare of the community over personal enrichment. Stewardship theory stresses the ethical and organizational responsibilities of Village Fund managers in the responsible usage of public money. SISKEUDES helps to facilitate this by providing stewards with a platform to demonstrate their commitment to maintaining good governance through the presentation of accurate and transparent financial accounts.

According to research, there is a direct link between village officials' expertise in using digital platforms such as SISKEUDES and the level of accountability attained, with a significance limit of 0.025, which is less than 0.05. This implies that increased proficiency among officials in using digital tools is associated with more accountability in the management of Village Funds. Such expertise is essential because even the most advanced technology is insufficient to guarantee transparency and accountability without a strong understanding of both digital networks and financial legislation.

The legal structure that governs Village Fund administration is made up of a

collection of laws and rules, the first of which is Law. No. 6 of 2014 grants communities the authority to supervise their own local affairs and handle their financial resources autonomously. This is reinforced by Home Affairs Regulation No. 20 of 2018, which states that village finances must be managed with openness, accountability, involvement, and prudent budget management.

This regulation describes the entire process of financial management at the village level, including planning, implementation, administration, reporting, and accountability. It requires village administrations to follow strong governance concepts, such as transparency, accountability, participation, and value for money, with an emphasis on economy, efficiency, and efficacy. These principles provide a solid normative basis for responsible financial management at the village level, including quantifiable accountability mechanisms and safeguards against legal infractions.

This planned system, from a theoretical standpoint based in public finance law, represents the concept of giving financial control to local bodies. This distribution is intended to improve resource utilization, local needs response, and local government responsibility.

According to fiscal decentralisation theory, it is critical to have strong accountability mechanisms in place when the central government transfers decision-making authority and funds to local governments. This is done to guarantee that public funds are used responsibly and to their full potential.

In Indonesia, the practice of fiscal decentralization through Village Funds is guided by the idea that monies should follow duties. This implies that the transition of government power should be accompanied by the allocation of adequate financial resources, ensuring a fair balance between authority and responsibility. According to research, fiscal decentralization improves fiscal autonomy and the operational

efficiency of regional governments while posing challenges such as continuous reliance on central government money and the ongoing problem of corruption.

According to the theory of legal certainty, a clearly defined regulatory framework is critical to ensuring consistency and protecting the interests of all parties involved in the handling of Village Funds. To guarantee legal certainty, laws must clearly protect both rights and duties, encouraging consistent legal participation and offering effective protection for individuals.

In the context of managing village finances, creating legal certainty is accomplished by adopting laws that outline the necessary procedures for planning, execution, management, and accountability. The notion of normative legal certainty is realized when laws are drafted with accuracy and reason, providing clear, practical advice for village administrators. According to research, the processes for managing Village Funds across various regions generally follow existing rules, including Regulation No. 20 of 2018 issued by the Minister of Home Affairs.

From a civil law standpoint, ensuring accountability in the management of Village Funds entails addressing any losses caused by the unlawful usage of authority or carelessness. Civil culpability requires the payment or provision of compensation for losses resulting from illegal acts committed by community leaders or other local authorities.

In practical terms, public prosecutors and oversight organizations frequently set a deadline for restitution of money—typically around 60 days from notification—as an initial step toward justice or as an administrative solution before filing formal criminal charges. If payment fails to materialize or the agreed terms are not met, the matter is escalated for criminal prosecution. While compensation may reduce administrative fines, it does not excuse someone from criminal culpability if there is proof of corruption.

The application of civil responsibility in managing Village Funds is inextricably related to the principles described in both the Village Financial Management Law and the directives issued by the Minister of Home Affairs. These emphasize openness, accountability, community involvement, and strict compliance to budgetary regulations.

According to legislation, following the APBDes in accordance with the stated legal requirements and the actual needs of the community is mandatory, and failure to do so may result in administrative penalties and civil responsibility. This civic duty includes not only the government, but also defending the community's rights by recognizing them as legitimate monitoring groups.

Regulation 73 from the Ministry of Home Affairs, issued in 2020, grants village inhabitants six distinct oversight authorities, including the ability to evaluate how effectively the village government adheres with procedures at each step of financial management. If these rights are denied, the community has grounds to file a civil legal action, according to Article 24 of the regulation.

This underlines that the duty of civil accountability for Village Fund management is not limited to the government and village officials, but also includes the relationship between the local government and the community—who benefit from and are directly accountable for monitoring how the funds are utilized.

According to state administrative law, which is intrinsically connected to civil law, village officials who overstep their mandated authority may face administrative sanctions as outlined in Article 30, section (1) of statute number 6 of 2014; these sanctions range from verbal reprimands to written instructions to maybe termination of employment.

Instances in which the improper use of power causes damages to the government provide grounds for criminal prosecution under Law No. 30 of 2014,

which governs Governmental Administration, as well as the Corruption Eradication Law. According to research, the illegal use of Village Funds typically leads in criminal prosecution when administrative actions and municipal resolutions fail to recover governmental financial losses.

Law number 31, enacted in 1999 and modified by Law number 20 in 2001, creates the legal basis for punishing corruption involving Village Funds, notably through Articles 2 and 3. According to Article 2, subsection (1), illicit acts intended to benefit oneself, others, or an organization that endangers state finances are regarded corruption. Article 3 addresses the abuse of power, chances, or resources inherent in a role that results in financial harm to the state.

These legal restrictions serve as the primary basis for prosecuting Village Fund corruption, especially since several instances include the abuse of power by village chiefs. The criminal sanctions are severe, ranging from a minimum of four years imprisonment to a maximum of twenty years, or even life imprisonment, plus monetary penalties ranging from IDR 200 million to IDR 1 billion, indicating a tough judicial approach aimed at safeguarding governmental financial resources.

When it comes to assigning criminal responsibility, the hamlet leader bears the ultimate responsibility for instances of corruption, since they are the highest-ranking official in direct control of the village's financial plan. According to criminal research, inadequate monitoring and internal regulatory processes at the village level significantly increase the chance of Village Funds being misused.

Village officials beyond the village head—such as treasurers and secretaries—can also be held criminally liable as *medeplegers* when they participate in corruption. This shows that responsibility for Village Fund corruption applies to all actors involved, not only the village chief.

Despite the Village Law (Law No. 6/2014) requiring transparency and

accountability, criminal enforcement remains weak due to institutional problems, unclear calculations of state losses, and difficulties obtaining witnesses. Recovery of losses by village heads may count as criminal responsibility, but it rarely prevents future corruption.

The enforcement process—data collection, investigation, and prosecution—faces obstacles such as proving unlawful acts, personal enrichment, and definite state losses, as required by Constitutional Court Decision No. 25/PUU-XIV/2016. Common corruption patterns include mark-ups, fake reports, illegal deductions, personal loans, and fictitious projects. Case studies, such as in Mamasa Regency, show repeated manipulation through mark-ups and misuse of funds.

Weak oversight and low institutional capacity also reduce accountability. Internal controls under SISKEUDES often fail because follow-up is inconsistent. APIP oversight suffers from limited auditors and low transparency awareness, worsened by poor coordination with law enforcement. Digital systems like SISKEUDES are recommended to improve transparency.

Restorative justice has been proposed for corruption cases with small losses to recover funds and ease court burdens. However, strict safeguards are needed to prevent impunity.

Sentencing in Village Fund corruption depends on loss amounts and officials' roles. Aggravating factors include harm to public services and misuse of authority, while mitigating factors include cooperation, remorse, and a clean record. Returning state losses may reduce punishment but does not erase the criminal act. Sentencing trends show a balance between public harm and personal conditions, while emphasizing that restitution cannot remove criminal liability.

Digitalization of village finance has not automatically improved accountability due to weak regulation, limited skills, and inconsistent reporting. Research shows that

compliance and clear reporting systems are crucial for transparency. Technology like SISKEUDES can enhance openness only if village officials have adequate digital capacity. Effective governance requires human capacity, strong internal controls, and proper use of technology.

From a public financial management (PFM) perspective, accountability depends on alignment between the legal framework and digital systems. Fiscal discipline and efficient services require stable financial regulations supported by fast, auditable digital tools.

A sound legal structure encourages transparency and responsibility, while technology enables consistent implementation. SISKEUDES can strengthen trust and reduce corruption opportunities, but digital tools alone are insufficient if officials lack competence, which may still allow fraud. Thus, improving Village Fund management requires a clear regulatory framework, robust digital systems, skilled personnel, and effective internal controls to ensure accountable and corruption-resistant governance.

B. Pillars of Accountability, Transparency, Public Participation, and Fraud Prevention Mechanisms

As demonstrated by many empirical research on Village Budget Management, accountability and transparency are two fundamental pillars necessary for establishing effective governance at the village level. In addition to the requirement that village officials provide financial reports, accountability also includes accountability to the public for their actions, decisions, and performance through a transparent judicial system.

In the context of public financial regulation, accountability refers to the village government's capacity to supply data that can be verified, tracked, and validated by the public and oversight agencies. In addition, the openness with which the village

administration presents financial data for budget planning and execution demonstrates transparency. Regulations from the Minister of Villages, Development of Disadvantaged Regions, and Transmigration No. 6 of 2020, as well as Regulation of the Minister of Home Affairs No. 20 of 2018, are examples of normative laws that this must adhere to.

Budget information must be made available to the public via bulletin boards, frequent updates, and village forums in order to ensure efficient citizen oversight of village administration. According to these results, transparency, accountability, and community involvement are all connected and work together to create a mechanism for preventing abuse at the village level.

The possibility of budget misuse will be greatly reduced if the data is made accessible to the public, allowing them to engage in the budgetary process, and if village officials are subject to stringent legal responsibility. Therefore, strengthening these three areas is a vital step towards establishing genuine, trustworthy, and community-oriented Village Budget administration.

In the lens of legitimacy theory, transparency and accountability are not just administrative procedures but also means of gaining the support of the populace for the village administration. According to this theory, every organization, including the village government, must show that its activities and policies adhere to community norms and expectations. Financial report transparency serves as a way to share information, which in turn helps to gain and retain public legitimacy, since it shows that the government is acting in accordance with established laws and standards.

A crucial component of managing the Village budget is transparency, which helps to establish the social legitimacy of the village administration. According to studies by (Ramadhani & Yuliati, 2021; Rukmana & Utami, 2023), transparency in financial information, whether in reports, village meetings, or through the media,

increases public confidence in the village government's fiscal responsibility. When the public has easy and organized access to information about how the Village Budget is spent, it builds confidence that the money is being used for the benefit of everyone and not for the personal gain of village leaders.

Additionally, adhering to the transparency principle gives the public the chance to observe how the village budget is being implemented. Data transparency, according to Komariya et al. (2023), gives the public the ability to monitor how budgets are being used, check that plans are aligned with reality, and spot any possible anomalies. In addition, discovered that public oversight is more effective in identifying possible misuse when there is simpler public access to data pertaining to the Village Budget.

Public confidence can only be established through accountability and openness. Communities see village governments as accountable and acting in their best interests when they openly publish budget reports and data.

As a result, transparency enhances information access while also boosting the legitimacy of village governments by fostering greater public confidence and greater community participation in monitoring how Village Funds are managed.

According to several studies, village-level accountability has a major impact on healthy financial practices. Better accountability from village governments will improve Village Fund management.

Clear monitoring processes that ensure that funds are used in accordance with village development goals promote accountability, which in turn promotes more efficient and effective governance. These conclusions are consistent with stewardship theory, which holds that village government leaders are managers with an ethical and professional duty to administer public resources fairly and put the needs of the community first.

Accountability, from the standpoint of public sector accounting, is made up of numerous connected layers, including program accountability, procedural accountability, legislative accountability, and policy accountability. Village governments are legally accountable for adhering to all laws and regulations when managing Village Funds, including those pertaining to planning, implementation, and reporting.

The necessity of governance that adheres to established administrative procedures and regulations is highlighted by procedural accountability. Purwati (2023), demonstrates that adherence to procedures, ranging from the use of information technology and internal control systems to the competence of village officials, has a direct impact on the robust accountability of Village Fund management.

Program accountability is centered on the efficiency and effectiveness with which the village budget is utilized. Policy accountability is another equally crucial factor, which mandates that choices about how Village Funds are distributed be made with sound logic, a fair foundation, and transparency.

From a public sector accounting standpoint, transparency, as a principle of openness to the public, has a major beneficial effect on Village Fund administration. Making information more accessible to the public by using digital media like village financial information systems, online applications, and data dissemination via information boards to implement transparency.

Community involvement is essential for ensuring accountability in the administration of the Village Fund. By actively participating in planning, execution, and monitoring, communities may make sure that the development process meets the actual needs of the village.

Numerous national studies have consistently shown that community engagement has a significant positive impact on the efficiency and accountability of

Village Fund management by increasing transparency, enhancing decision quality, and exerting social control over village officials. These findings highlight the importance of community participation in village development, not just as a beneficiary, for it to be beneficial and sustainable.

Through direct participation in every phase, from the creation to the supervision of village programs, active citizen involvement has been demonstrated to be essential for guaranteeing the accountable administration of Village Funds. According to studies by Akadiati et al (2023) as well as Sofia & Fitriyah (2022), public participation has a substantial beneficial influence on the effectiveness of Village Fund administration.

Additionally, because choices about budgets and programs are influenced by input from citizens who have a thorough knowledge of local circumstances, public involvement also helps to distribute resources in a way that is more in line with the needs of the community. Additionally, resources are frequently allocated more strategically in line with community needs as a result of active community participation.

In a participatory budgeting paradigm, for example, citizens are able to express their wants and set priorities for public spending, giving the community a say in how public money is allocated to the concerns they see as most important. Active participation can also increase social accountability: Citizens serve as public watchdogs by participating in policy formulation and monitoring, which encourages public administrators to be more transparent and accountable in their actions.

Nowadays, digital platforms are frequently used to promote public involvement. These systems give communities the chance to have a direct impact on how village budgets are distributed and used. This promotes a culture of long-term transparency and enhances community confidence in the local government.

Recent studies demonstrate that technology amplifies the effect that public involvement has on accountability. Enhanced access makes village data more readily available and easier for the community to manage, which increases the effectiveness of public participation in budget oversight and decision-making.

Despite its great potential for good, several studies have found barriers to putting public participation into practice. Citizen involvement is still restricted to planning meetings (Musdes) in certain areas and does not yet include more in-depth accountability procedures.

Majid et al. (2022) found that participation is often token with inadequate oversight, especially in areas where public knowledge of development challenges is lacking. Social control and input from citizens may result from phenomena such as public indifference or a lack of awareness of local concerns.

For the purpose of preventing fraud and supporting Village Funds, an internal control system (ISC) at the village level is essential. In their empirical studies, Noya et al. (2023) found that a robust internal control system is highly correlated with a lower incidence of infractions.

A robust control system has a continuous monitoring mechanism, communication channels, control policies, risk assessment, and an environment that fosters integrity. All of these components are consistent with the theory of internal control.

Additionally, the prevention of Village Fund fraud is greatly impacted by accountability, transparency, and community involvement. Low ethical and legal awareness among village authorities also contributes as a risk factor: Studies have shown that individual spirituality, combined with an internal control system, may help curb the spread of environmental behavior in the management of village funds. Statistically, a weak internal control mechanism increases the risk of fraud.

Mechanisms for reporting misconduct are acknowledged as essential components of financial administration in rural communities. Villagers and village authorities can use a safe reporting system to report violations anonymously or in a secure manner. Recent research indicates that the implementation of a whistleblowing system has a major positive impact on fraud prevention in Village Fund management and allows residents and village officials to report allegations securely, which increases accountability and reduces the risk of misconduct.

From the standpoint of legitimacy theory, the use of a whistleblowing system demonstrates the village government's dedication to transparency and public accountability, which in turn strengthens the legitimacy of local institutions in the eyes of the community. The efficacy of this method, however, is frequently limited by concerns about legal protection, social stigma, and a lack of confidence in community reporting methods.

The capacity of village authorities in terms of human resources and the accessibility of technology infrastructure are additional frequent issues. The widespread lack of internet connectivity in villages and the poor technical abilities of village authorities pose significant challenges to implementing digital systems like Siskeudes (Village Financial System).

This restricts digital reporting and accountability for the Village Budget (APBDes), which might compromise accountability. According to intellectual capital theory, trained village human resources with technological expertise are vital resources in the efficient and open management of public finances.

Research suggests that having a digital system alone is insufficient to guarantee the prevention of diseases. The possibility of mishaps still exists despite the use of digital technology since village human resources often lack the essential competencies.

Numerous studies advocate the necessity of continuing training for village officials and improvements to the ICT infrastructure in villages, particularly in isolated regions, in order to solve this problem. These measures will enhance digital infrastructure, safeguard data, and give communities the tools they need to produce budget reports and show clear accountability. Integrating community involvement, equipment proficiency, internal controls, technology, and whistleblowing protection can make Village Fund administration more open, sustainable, and attuned to local requirements.

4. Conclusion

Village Fund management in Indonesia still faces significant challenges in achieving optimal transparency and accountability, despite the implementation of legal and technological frameworks such as SISKEUDS. Digitalization has been shown to improve transaction recording, audit trails, and real-time access to information, thus strengthening public oversight. However, its effectiveness is greatly influenced by the capacity of the apparatus, infrastructure readiness, consistent enforcement of regulations, and the public's ability to utilize technology. Gaps between regulations such as Law No. 6/2014, Minister of Home Affairs Regulation No. 20/2018, and Minister of Village Regulation No. 6/2020 and field practice persist due to a lack of competence, coordination, and oversight, creating room for irregularities and corruption.

Beyond digitalization, strengthening Village Fund governance requires active community involvement, a whistleblowing mechanism, and an effective internal control system to prevent misuse of funds. Substantive public participation enhances legitimacy and public trust, but is often hampered by low literacy and administrative culture. Internal controls, protection of whistleblowers, and consistent law

enforcement are key to suppressing fraud. Thus, strengthening Village Fund governance in the digital era requires synergy between strong regulations, human resource capacity, supporting technology, and participatory oversight to create transparent, accountable, and integrated village governance.

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