

## **THE EFFECT OF INTERNAL CONTROL SYSTEM AND VILLAGE APPARATUS COMPETENCE ON VILLAGE FUND MANAGEMENT ACCOUNTABILITY**

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**Abstract:** The purpose of this study was to obtain empirical evidence of the effect of the internal control system on the accountability of village fund management, to obtain empirical evidence of the effect of village apparatus competence on village fund management accountability. The population in this study is village apparatus in all villages in Kudus Regency. The total number of village apparatus in all villages in Kudus Regency is 492 people. The results of the analysis show that the test of the influence of the internal control system on the accountability of village fund management shows a coefficient value of 0.207 with a positive direction and p-value = 0.014 < 0.05. This shows that the hypothesis H1 can be accepted. Further results show that the test of the influence of village apparatus competence on village fund management accountability shows a coefficient value of 0.423 with a positive direction and p-value = 0.001 < 0.05. This shows that the hypothesis H2 can be accepted.

**Keyword:** *Internal Control System, Village Apparatus Competence, Village Fund Management Accountability*

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### **1. Introduction**

Law (UU) Number 20 of 2018 concerning Village Financial Management defines Villages as villages and customary villages or what is called by another name, hereinafter referred to as Village, is a legal community unit that has territorial boundaries that are authorized to regulate and manage government affairs, interests local communities based on community initiatives, origin rights, and/or traditional rights that are recognized and respected in the government system of the Unitary State of the Republic of Indonesia.

Permendagri No. 20 of 2018 also indirectly realizes President Joko Widodo's directives for the implementation of Cash Intensive Work in villages, and presents village financial reports that are more concise on one page without losing the meaning of village financial management accountability (Peraturan Menteri Dalam Negeri No. 20 Tahun 2018 Tentang Pengelolaan Keuangan Desa, 2018).

The Director General of Jenderal Bina Pemerintahan Desa (Bina Pemdes) of the Ministry of Home Affairs, Nata Irawan, explained that the issuance of this Permendagri was one solution to address the needs and problems of polemics in village financial management,

which were previously regulated in Permendagri Number 113 of 2014 (Peraturan Menteri Dalam Negeri Nomor 113 Tahun 2014 Tentang Pengelolaan Keuangan Desa, 2014), which has been growing for several years.

According to Badan Pemeriksa Keuangan (BPK) of Central Java Province, the management of Village Funds in Kudus Regency is quite good because there have been no findings so that they must be processed in the realm of law. This is evidenced by the Kudus Regency Government which received the Unqualified Predicate because it was considered capable of presenting financial reports with the highest achievements in government accounting and financial reporting. If there are problems with the village financial statements, the opinion of the Unqualified Predicate that has been obtained by the Kudus Regency Government will decrease. In supervising the village government's financial reports, the BPK is indeed unable to supervise it thoroughly due to limited personnel. With regard to financial reports that are well prepared and complete, it does not rule out the possibility of misuse of village finances.

This study focuses on the internal control system and the competence of village officials on the accountability of village financial management. The results of research by Rita Martini et al., 2019 state that the internal control system affects the accountability of village fund management, internal control is a way to direct, monitor and measure the resources of an organization besides that internal control also has an important role to prevent or detect fraud. One of the general objectives of the internal control system is to maintain the reliability of financial statements (A Arens, A., J Elder, R., & S Beasley, 2016).

The results of research from Dian Astri Budiana, stated that the competence of village officials had a positive effect on village financial management accountability, this shows that financial reports are very important to be given to the trustee because through the financial statements the trustee can find out the financial position of the organization and can take decisions (Budiana A. Dian, 2019). certain decisions to support the continuity of an organization.

H1: The internal control system has a positive effect on the accountability of village fund management

H2: Village apparatus Competence has a positive effect on village fund management accountability

## **2. Research Method**

The population in this study is village apparatus in all villages in Kudus Regency. The total number of village apparatus in all villages in Kudus Regency is 492 people. Looking at the population of more than 100 people, the research sampling technique used the formula from Taro Yamane or Slovin (Wahyuddin, 2016) as follows:

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

Keterangan:

n : number of samples

N : population

d<sup>2</sup> : Precession (set 10% with 95% confidence level)

Based on the Slovin formula, the number of samples is obtained as follows:

$$\begin{aligned}
 n &= 492 \\
 &\frac{(492) \times 0,1^2 + 1}{1} \\
 &= 83,10 \text{ rounded to } 83
 \end{aligned}$$

This type of research is a quantitative research, with a research design to test the hypothesis to test the effect between variables. According to Wahyudin who testing research hypothesis aims to analyze, describe, and obtain empirical evidence of the pattern of the relationship between two or more variables. The data used in this study is primary data using a questionnaire (Wahyuddin, 2016).

The data analysis method in this study used a Structural Equation Model (SEM) approach using the alternative partial Least Square (PLS) method. The software used is Warp PLS 3.0 Software. PLS is an alternative approach that shifts from a covariance-based SEM approach to a variant-based approach (Ghozali & Latan, 2012).

PLS is a measurement method that does not require certain distribution assumptions for parameter estimation, so parametric techniques to test or evaluate significance are not needed (Ghozali & Latan, 2012). The PLS evaluation model is carried out by assessing the outer model and inner model.

### **3. Results and Discussion**

#### **3.1. Results**

##### **Outer model results**

Table 1. Reliability and Variance Extract

	Composite Realibility	Cronbach alpa	AVE
SPI	0.950	0.943	0.566
KPD	0.915	0.881	0.686
APDD	0.954	0.935	0.837

Table 1 above shows that the criteria for convergent validity have been met, namely loading greater than 0.60 and AVE greater than 0.40. Furthermore, to show the discriminant validity criteria have been met, it is indicated by the square root of AVE being greater than the correlation coefficient between constructs in each column. Likewise, reliability has been met with composite reliability and cronbach alpha greater than 0.60

##### **Inner Model Test**

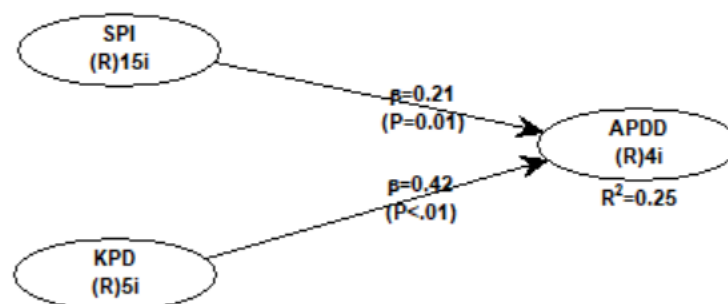
Testing of the inner model or structural model is carried out to see the relationship between the constructs. Inner model testing is also a test of the relationship between the hypothesized latent variables. The significance of the estimated parameters provides very useful information about the relationship between the research variables

Table 2. Inner Model Test Results

	KOef	P Value	Keterangan
SPI-APDD	0.207	0.014	Tdk. Sig
KPD-APDD	0.423	<0.001	Sig

Table 2 shows that there is a fairly strong positive relationship between the Internal Control System and Village Fund Management Accountability, this is indicated by a significant correlation coefficient. There is a positive relationship between Village Apparatus Competence and Village Fund Management Accountability, with a significant correlation coefficient. This shows an early indication of support for the hypothesis because the relationship between the construct variables requires a significant correlation between the independent variable and the dependent variable.

Figure 1. Inner Model Test Results



### 3.2. Discussion

#### Effect of Internal Control System on Village Fund Management Accountability

The first hypothesis which states that the internal control system has a positive effect on the accountability of village fund management is acceptable. The test results show that the influence of the internal control system variable on the accountability of village fund management shows a coefficient value of 0.207 with a positive direction and with p-value = 0.014 < 0.05. This result means that the internal control system has a positive effect on the accountability of village fund management. This shows that internal control system is a way to direct, monitor and measure an organization's resources, besides that internal control system also has an important role to prevent or detect fraud. The results of this study are in line with the results of research (Widyatama et al., 2017) which states that the internal control system has a positive effect on village fund management accountability, in addition, the results of research from (Budiana et al., 2019) also state that the internal control system has a positive effect and significant to the accountability of village fund management.

#### The Influence of Village Apparatus Competence on Village Fund Management Accountability

The second hypothesis which states that the competence of village apparatus has a positive effect on the accountability of village fund management is acceptable. The test results show the coefficient value of 0.423 with a positive direction and with p-value = 0.001 < 0.05. This result means that the competence of village apparatus has a positive effect on the village fund management accountability. Human resources are an important determining factor in every

organization because as one element of the strength of the organization's competitiveness as well as the main determinant of the organization in improving its products or services to the community. Therefore, human resources must be competent with high competence and performance. This result of this study are in line with the result of research (Budiana et al., 2019) which states that the competence of village apparatus has a positive effect on the village fund management accountability, ini addition, the result of research from (Damayanti, 2020) also state that the competence of village apparatus has a positive effect and significant to the village fund management accountability.

#### **4. Conclusion**

Based on the results of the study and on the basis of the results of hypothesis testing, it can be concluded, the internal control system variable has a positive effect on the accountability of village fund management. With the hypothesis that the internal control system has a positive effect on the accountability of village fund management, then the hypothesis can be accepted. The variable of village apparatus competence has a positive effect on the accountability of village fund management. With the hypothesis that the competence of village apparatus has a positive effect on the accountability of village fund management, then the hypothesis can be accepted.

The limitation of the study that research data from respondents submitted in writing may affect the results of the study, because perceptions respondents submitted do not necessarily reflect the actual situation and will different if the data obtained through interviews. The Further research method can use the interview method to streng then research evidence.

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