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Terbit 3 kali dalam setahun pada bulan Februari, Juni, dan Oktober. Berisi tulisan yang diangkat dari hasil penelitian atau pemikiran akuntansi akademisi, praktisi, mahasiswa dan sumber lain yang relevan bagi pengembangan profesi dan praktek akuntansi di Indonesia.

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An Overview of Company Valuation: Looking at the Environmental, Social and Governance (ESG) Disclosure Dimension Studies

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ABSTRACT

A fundamental to increasing firm value and attracting investors is preserving long-term corporate sustainability through the implementation of sound corporate governance standards that take ESG concerns into consideration. This study examines the potential impact of governance, social, and environmental disclosures on firm value. Businesses in the infrastructure sector that were listed on the IDX between 2021 and 2023 were used as the population and samples. Purposive sampling was used, and SmartPLS Version 4 software was used for testing. Both the inner and outer models are used in the data analysis method. The findings indicate that only governance disclosure not environmental or social disclosure has an impact on firm value. This study builds on earlier research that emphasizes the significance of ESG data in influencing investor choices and optimizing firm value. It also gives businesses advice on how to incorporate ESG considerations more into their operations.

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INTRODUCTION

The market will be greatly impacted by the 15.1% increase in worldwide ESG investments, which reached US$35,301 billion over the two-year period from 2018 to 2020, according to the Global Sustainable Investment Alliance (GSIA). There is proof that the interest of financial markets in corporate ESG initiatives is growing (Gillan et al., 2021). The ESG score, which is derived from assessing the business from an environmental, social, and governance perspective and enables inter-company comparisons, is the primary metric used to gauge a company's ESG initiatives.

Corporate valuation is a way to determine the value or price of a company through analysis of financial performance, assets, and future projections. In the context of ESG, company valuation is important because stakeholders are increasingly aware of the importance of sustainability aspects, namely environmental, social, and governance. Companies that implement environmental aspects of sustainability may have lower costs in their long-term management and be able to deal with environmental risks, such as the use of renewable energy. Corporate profits can be affected by employee welfare, human rights compliance, and community relations as part of the social aspect. Similarly, the stability of the company is reflected in the implementation of good corporate governance, such as transparency of financial reports and ethical management.

ESG and firm value are related because businesses that employ ESG practices typically have steady financial results, are respected and appealing to investors, and can lower risks to firm value. The way the business handles risks and ESG considerations affects its valuation. Because investors believe a company with a high ESG score is transparent, risk-free, and sustainable, the company's value is also high. Therefore, the correlation between firm value and ESG disclosure suggests that effective management of ESG issues can both boost firm value and enhance the company's reputation.

The focus of contemporary sustainable development is on initiatives to guarantee the financial system's long-term survival (Aras et al., 2018). As financial markets become more volatile and intensive, firms are under increasing pressure to maintain their operations, which makes sustainability essential to the expansion of the economy as a whole (Malik & Kashiramka, 2024). As companies, investors, and consumers realize the importance of corporate sustainability, it has garnered a lot of attention recently (Maji & Lohia, 2023).

Businesses frequently choose to boost their short-term earnings at the expense of their governance, society, and environment. However, in addition to their narrow short-term profit maximization goals, corporations are increasingly required to take environmental and social sustainability into account (Khandelwal et al., 2023). Market leadership in the future is becoming more and more necessary than optional. The goal of sustainable practices is turn businesses into conscientious entities that are concerned with environmental and social issues (Alshehhi et al., 2018).

Since the Global Reporting Initiative (GRI) was founded in 2001, publicly traded companies have become more interested in sustainability disclosure (Sharma et al., 2020). The Global Reporting Initiative (GRI) 2021 is defined as a systematic reference used by companies to create their sustainability reports. Financial statements, which provide data for a certain time period and date, are not the same as sustainability reporting (Setiawan et al., 2025). A sustainability reporting is a report concept framework that contains non-financial information about a company, including history, overview, sustainability performance, policies, and achievements. The presence of technology offers convenience in various life activities (set) so that access to information about the company becomes very fast (Jallow et al., 2024).

According to Fabby Tumiwa, Executive Director of the Institute for Essential Services Reform (IESR) by Antaranews, Pertamina is steadfastly dedicated to addressing the Environmental, Social, and Governance (ESG) concerns, with assisstance from the Ministry of SOEs. This can be seen from the sustainability achievements of the state oil and gas company in 2023 and Pertamina is included in the medium risk category. In general, the ESG Risk Rating assessment is carried out to evaluate the company's ability to manage risks in the long term. Sustainalytics assesses how well the company implements ESG principles and Pertamina's commitment and target to achieve net zero emissions and reduce greenhouse gas emissions. Pertamina is also considered good at paying attention to worker safety, managing risks, and interacting with communities affected by operations.

In 2023, Pertamina recorded a series of emission reduction programs from operating activities and succeeded in reducing emissions by 1.135 million tons of CO_2. In addition, Pertamina was ranked 141st on the Fortune Global 500 list, up 82 places from the previous year. Pertamina's financial performance was also positive, with a net profit of US$ 4.44 billion, up 17% from 2022's US$ 3.81 billion. PT Pertamina Retail also recorded a 22% increase in revenue and net profit of IDR162.68 billion. This effort is in line with ESG implementation and commitment to support the Net Zero Emission 2060 target.

The urgency of conducting research on the relationship between ESG disclosure and firm value is increasing along with the growing awareness among investors about the importance of corporate environmental and social responsibility. ESG disclosures give stakeholders thorough information about how businesses handle sustainability challenges, which may have an impact on their investment choices. Furthermore, the requirement to comprehend how ESG disclosures affect firm value is further reinforced by modifications to government laws and regulations that support sustainability.

One of the primary drivers behind businesses' implementation and performance of sustainable practices is stakeholder pressure (Iyer & Jarvis, 2019; Xu et al., 2022). A company's obligation to its various stakeholders, including internal stakeholders like customers and employees as well as external stakeholders like suppliers, creditors, the government, and others, is emphasized by stakeholder theory (Al Barrak et al., 2023). ESG disclosures are essential for informing these stakeholders and providing extra information to aid in decision-making. These disclosures also improve transparency, greatly lower uncertainty, and successfully satisfy the needs and desires of different stakeholders (Hamrouni et al., 2019). The philosophy holds that stakeholders are accountable for essential resources, thus businesses should keep good ties with them. Due to restricted access to confidential firm information, creditors will evaluate possible financial risks using publicly accessible data (Al Barrak et al., 2023). Companies that disclose everything diminish formation asymmetries and the agency costs that occur from ownership and control being separated (Carnini et al., 2022). By informing external stakeholders, ESG disclosure reduces agency conflicts and acts as a monitoring tool in this framework (Hamrouni et al., 2019).

This research is pertinent to worldwide trends, as businesses, investors, and regulators are placing a high priority on sustainability. The necessity to comprehend how sustainability transparency affects business value in the present day is reflected in the emphasis on ESG. Numerous research, such as those by Abdi et al. (2022), Melinda & Wardhani (2020), and Fuadah et al. (2022), have demonstrated that ESG disclosure increases firm value. There are some discrepancies with the study's findings, though. Feng et al. (2022) and Wangi & Aziz (2023) discovered that ESG disclosure lowers firm value.

In particular, this research examines the impact of each ESG disclosure dimension independently, and the findings will offer a better understanding of which factors are important to company value. Additionally, it closes the gap in the research by highlighting how ESG disclosure affects firm value.

Hypothesis

The company's share price is a measure of the company's success rate which shows the value of a company or market perception (Atahau & Kausar, 2022). For companies to have the best possible relationship with their existence, they must pay attention to the environment and community around them. This interaction is mediated via the sustainability report. ESG risk management and financial stability are not, however, directly enhanced by sustainability reporting (Orazalin & Mahmood, 2020). Giving the public information about a company's operations, policies, and environmental effects through annual reports, sustainability reports, or other media is known as environmental disclosure. Such disclosures demonstrate the company's openness in handling sustainability content and give stakeholders the impression that it is strongly committed to controlling ESG risks.

According to stakeholder theory, a business must consider the advantages that will be given to stakeholders by fulfilling its many social obligations to the environment and society in addition to maximizing profits (Hariyanto & Ghozali, 2024). This is consistent with Atahau & Kausar (2022) research findings, which show that environmental disclosure has a favorable and significant impact on the firm's value. Additionally, research on the impact of ESG on firm value and corporate performance by Abdi et al. (2022) demonstrates favorable outcomes and a noteworthy effect. This implies that stakeholders will be able to assess and evaluate the effects of the company's business operations on the environment with the aid of published environmental information. However, according to study by Kurniawan et al. (2018), disclosure of sustainability reporting in the environmental category has a negative impact on firm value, proving that this link is not always linear and substantial.

Hypothesis 1 : Environmental Disclosure has a effect on Firm Value

Companies that focus on social issues end up being their own strongest point since it shows that their finances are solid and that they are becoming more and more known for their support of the community (Hariyanto & Ghozali, 2024). Investor trust in the company's capacity to achieve corporate objectives is reflected in a high valuation. Businesses can increase customer loyalty and draw in investors by meeting social expectations. In the end, the disclosure will raise the company's worth by fostering a positive attitude and bolstering stakeholders' faith in it.

According to the stakeholder theory given by Freeman & McVea (1984) in Fadhali (2024), companies have obligations to a variety of parties who have an interest in the functioning and long-term viability of their company, in addition to their shareholders. Their support can boost corporate stability and competitiveness, which in turn can raise firm value, provided that these ties are managed through proper social transparency. According to research done by Abdi et al. (2022), there is a favorable and considerable impact of ESG on firm value and company performance. However, Kurniawan et al. (2018) found no correlation between social disclosure and business value when it comes to sustainability reporting in the social category.

Hypothesis 2 : Social Disclosure has a effect on Firm Value

The process of coordinating a company's operations to improve business performance and fulfill its obligations to stakeholders, including shareholders, is known as corporate governance (Nugroho & Hersugondo, 2022). Profitability, size, institutional ownership, and capital structure are all factors that might affect the worth of a firm (Pohan et al., 2020). Because it shows how well the firm can manage its operations, the application of good governance undoubtedly raises the value of the organization and have a role in important issues that occur in the company.

According to Donaldson & Preston (1995) in Hariyanto & Ghozali (2024) argue that stakeholder theory expands the company's responsibility to all stakeholders, not only within the company but also outside the company. This is a consideration for the company in determining the strategic direction of the company. A clear indication to stakeholders that the business is competently run will come from the open disclosure of governance and accountability in running its operations. Lastly, it boosts confidence and lowers investment risk, which raises the value of the business. According to research by Abdi et al. (2022), firm value is significantly enhanced by governance disclosure. This, however, contradicts research by Wangi & Aziz (2023) that demonstrates that firm value is unaffected by governance disclosure.

Hypothesis 3 : Governance Disclosure has a effect on Firm Value

RESEARCH METHODS

Data for this study is gathered and analyzed quantitatively. Throughout the entire process of developing its research design, quantitative research is methodical, organized, and meticulously planned.

Population and Sample

Companies listed on IDX that published Sustainability Reporting on both their official website and the IDX website, www.idx.co.id, comprise the study's population. Seventy companies from the infrastructure industry were selected by the researchers to form the research population. 34 companies were selected as research samples by the researchers using the purposive sampling technique. By establishing certain norms or criteria, the technique is applied to non-probability sampling (Sugiyono, 2019). 102 observational data points were therefore acquired.

Research Instrument

Secondary data is what was used. Secondary data is information gleaned from company documentation that has been read, examined, and comprehended through other media. ESG disclosure, market capitalization, liability total, and asset total are among the data gathered from the sustainability reporting and financial reporting.

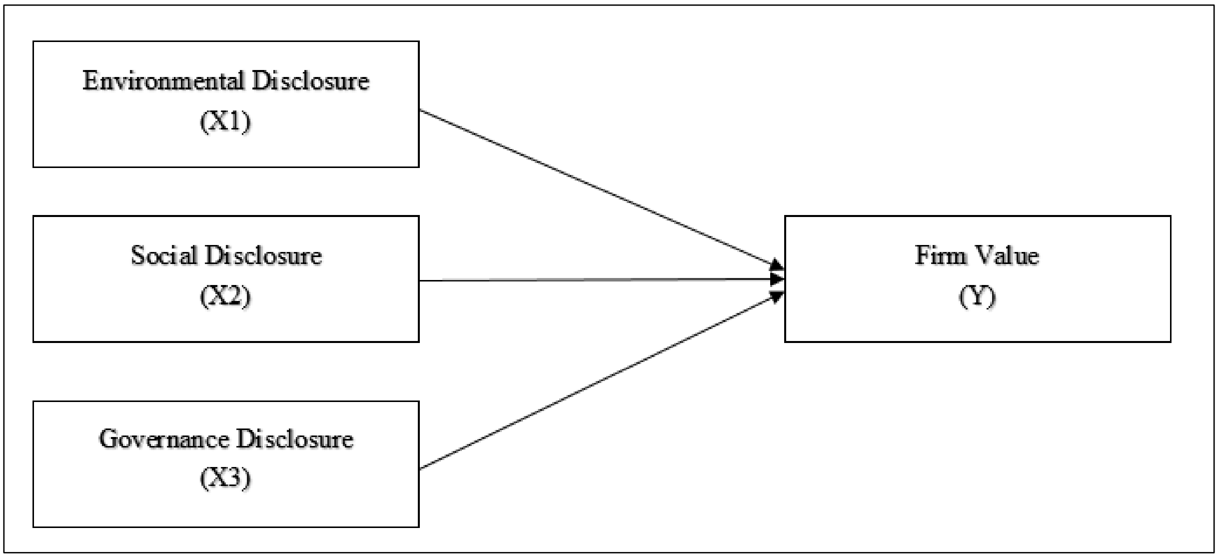
Data Collection Procedures

By comparing the number of indicators that a company has successfully reported with the total number of indicators in each GRI module for each ESG item, the ESG disclosure calculation technique is used to measure ESG variables. A false variable is used in this calculation, which returns "value 0" if the item disclosure is not disclosed and "value 1" if it is. Market capitalization plus total debt divided by total firm assets is the ratio scale used to measure the Tobin'sQ variable.

Data analysis

Two testing phases are the outer model and the inner model utilizing Partial Least Square (PLS) Version4, were used to conduct the analysis.

The relationship between the independent and dependent variables is demonstrated by the research framework that follows:



Picture 1. Research Framework
data processed by researcher (2025)

RESULTS AND DISCUSSION

The purpose of the validity test is to determine the validity of the measuring device or to determine whether it is accurate:

Table 1. Outer Loading Analysis Results

	ENV_D	Tobin’sQ	GOV_D	SOC_D
ENV_D	1.000			
GOV_D			1.000	
SOC_D				1.000
Tobin’sQ		1.000		

source: author's processed data (2025)

The ENV_D variable's outer loading value of 1.00 satisfies the criterion that a value greater than 0.7 is deemed legitimate and has a good connection with the FV measurement. There is a high association between the FV measurement and the outer loading value of 1.00 for both the SOC_D and GOV_D variables. There is a very significant correlation between the FV measurement and the outer loading test of company value, which yielded a result of 1.000 using Tobin'sQ measurement.

The model's strong strength is indicated by an R^2 value of 0.67 in the r-squared test, its moderate strength by an R^2 value of 0.33, and its weak strength by an R^2 value of 0.19 or less. The independent variable interprets the dependent variable as good without error if its coefficient of determination value is 1 or 100%.

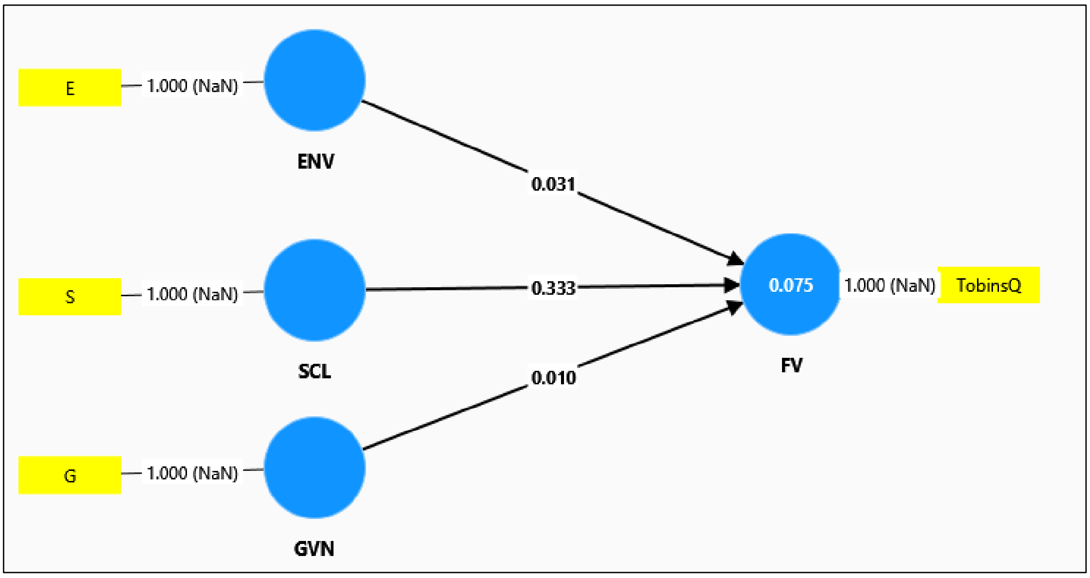
Table 2. R-Square Analysis Results

	R-Square	R-Square Adjusted
Tobin'sQ (Y)	0.075	0.046

source: author's processed data (2025)

According to the table, the firm value variable's r-squared value is 0.075, which is less than 0.19. This indicates that the research paradigm used in this study is inadequate. This figure indicates that social, governance, and environmental disclosures can affect 0.075 or 7.5%, of corporate value. However, another variable that is not examined accounts for 92.5% of the total.

Using the t-statistic value to test the hypothesis at a 5% hypothesis level, the path coefficient value shows the degree of significance in hypothesis testing. Researchers compare the t-value and t-statistic value while deciding which hypothesis to pursue. The hypothesis is accepted if the t-statistic value is more than 1.96; if it is less than 1.96, it is rejected.
An illustration of the outcomes of a hypothesis test is as follows:



Picture 2. Hypothesis Testing Model-SmartPLS

The outcomes of testing hypotheses using the bootstrapping approach to ascertain the hypothesis's impact are as follows:

Table 3. Path Coefficient Analysis Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (| O / STDEV |)	P Values
Environmental Disclosure (X1) → Firm Value (Y)	0.250	0.236	0.134	1.871	0.031

Social Disclosure (X2) → Firm Value (Y)	-0.028	-0.023	0.065	0.432	0.333
Governance Disclosure (X3) → Firm Value (Y)	0.091	0.106	0.039	2.344	0.010

source: author's processed data (2025)

Table 3 demonstrates that environmental disclosure has no effect on firm value. The t-statistic value of 1.871 is less than 1.96, and the P-values of 0.031 are less than 0.05. As a result, **hypothesis 1 has been rejected** since the environmental disclosure variable has no impact on firm value. The first research hypothesis is that environmental disclosure impacts firm value. The study's findings run counter to those of Abdi et al. (2022), investing available funds in socially and environmentally responsible projects will increase firm value. In addition, this study contradicts stakeholder theory, which holds that businesses will boost firm value if they fulfill their obligations to satisfy stakeholders. On the other hand, one of the things that can hurt the business is environmental disclosure. Stock prices in financial market trading will be impacted by negative emotion expressed by different information channels. Naturally, the low market capitalization of the company's shares will be affected by this. Similar to the findings of Kurniawan et al. (2018), investors' perception that disclosure is solely intended to enhance the company's image has a detrimental impact on firm value when it comes to sustainability reporting in the environmental category. This could be the reason why there isn't a connection between corporate worth and environmental disclosure. Firm value may not be directly impacted by environmental disclosure. The reason is that investors don't care about environmental issues and see them as a formality that doesn't actually affect how well operations run

Also social disclosure on table 3 has no effect on firm value. The t-statistic value of 0.432 is less than 1.96, and the P-value of 0.333 is greater than 0.05. Thus, **hypothesis 2 has been rejected** since the social disclosure variable has no impact on firm value. The second research hypothesis states that social disclosure affects corporate value. The findings of this study contradict those of Zhang et al. (2020), who found that the social component of ESG disclosure increases firm value. The findings of Atahau & Kausar (2022) are supported by this research, which found that the social component of ESG disclosure has no influence on firm value because social disclosure is typically provided by many organizations in relation to human resources, and the more disclosure, the less effective it is at increasing firm value. In a similar vein, Wangi & Aziz (2023) believe that social disclosure is something that businesses frequently publicize. Theoretically, social disclosure should boost a company's worth by enhancing its reputation and gaining stakeholders' trust. Stakeholder theory, which holds that satisfying stakeholder pressure would increase firm value, does not support the findings of this study. In actuality, social disclosure may raise firm value, but the effects may vary based on investor awareness, the quality of the disclosure, and the business environment of the organization. There are indications that investors' decisions regarding a company's valuation may not be directly impacted by social transparency. As a result, social disclosure cannot be regarded as the primary determinant of investor valuation, particularly if investors prioritize the company's financial performance over its social commitment.

Lastly from table 3, governance disclosure impacts corporate value. The t-statistic value of 2.344 is higher than 1.96, and the P-values of 0.010 are less than 0.05. Thus, **hypothesis 3 is accepted** since it indicates that the governance disclosure variable impacts firm value. According to the third hypothesis, business value may be impacted by governance disclosure. The study's findings support those of Abdi et al. (2022), who found that governance disclosure had a favorable and noteworthy impact. In general, it is anticipated that sound corporate governance (GCG) will either directly or indirectly boost investor confidence and firm value. In contrast to Wangi & Aziz (2023) research, which found that governance disclosure had no influence on firm value, corporate governance transparency is typically disclosed by corporations and does not raise company value. The findings are consistent with stakeholder theory, which holds that businesses must live up to the expectations of all parties involved, including shareholders, employees, and regulators. Good corporate governance reduces possible conflicts of interest and demonstrates that the business respects stakeholder rights. Transparent governance disclosure will help the business develop a favorable reputation and win over stakeholders, both of which will boost the company's worth

CONCLUSIONS AND SUGGESTION

The outcomes of the research, namely (1) referring to the impact of environmental disclosure on business value, are founded on the goals and test results that were conducted. shows that the value of a firm won't be impacted by its disclosure of environmental aspects. (2) Talking on how social disclosure affects company value. shows that the company's worth will not be increased by the social dimension. (3) Alludes to how firm value is impacted by governance disclosure. Because the adoption of sound corporate governance will undoubtedly contribute to the rise in the issuer's share price, which is linked to the company's increased value, investor confidence in the business will rise.

The findings' practical implication is that, in order to gain investor trust, businesses should concentrate more on transparent governance disclosures; at the same time, environmental and social disclosures might require more careful consideration. From a theoretical standpoint, this work contributes to the body of knowledge on ESG disclosure, especially with regard to the impact of governance aspects on firm value. It also creates opportunities for more research on the integration of other ESG aspects into firm valuation.

The research's drawback is that the author only looks at one area, which prevents it from producing the expected results. Future studies could consider broadening the scope of their analysis by incorporating financial performance indicators to ensure that the findings align with the theory employed.

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The Influence of Financial Performance and Environmental, Social, Governance (ESG) Score on Stock Return

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ABSTRACT

This study seeks to thoroughly analyze the influence of financial performance and Environmental, Social, Governance (ESG) score on stock return. The study analyze how these financial and non-financial factors influence stock price movements and investor decision-making. This research consists of 88 data points from the financial industry listed companies especially the banking subsector on the Indonesia Stock Exchange (IDX) from 2020 to 2023. To examine the relationships among the studied variables, the primary analytical method for the data is multiple linear regression, which allowing for the systematic evaluation of the impact of financial indicators and other relevant factors on stock returns, as well as the testing of the proposed research hypotheses. The result reveal that the solvability ratio, as indicated by CAR, the activity ratio measured by TATO, and ESG score positively and significantly influence stock returns. Meanwhile, the liquidity ratio, represented by LDR and profitability ratio, measured by ROE, has no impact on stock return. However, this research has several limitations, including a high degree of data variability, which resulted in the exclusion of many data points to meet the classical assumption tests and the financial ratios used in this research are also limited.

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INTRODUCTION

The development of Indonesia's economy cannot be separated from the growth of its capital market. As the capital market in Indonesia continues to advance and expand, the economy will be propelled forward and experience further growth (Rahyuni et al., 2021). According to the law, the capital market refers to activities associated with public offerings and the trading of securities, as well as institutions and professions associated with the issued securities (Yoewono & Setiawan Tasrih, 2022). The financial services sector's contribution to Indonesia's economy continues to increase (Riani et al., 2023). Based on the OJK or Financial Services Authority's press release in February 2024, they remains optimistic that the positive performance trend of the financial sector will continue. As of December 2023, Indonesia's banking industry remains resilient and competitive, supported by strong profitability, net interest margin (NIM), and relatively high bank capitalization, which serve as solid buffers to mitigate risks amid global uncertainties. According to Liaw (Maretha & Warastuti, 2019), the importance of the capital market lies in its role as a source of long-term funding for companies and as a means for investors to gain profit. Financial sector stocks, predominantly from the banking industry, recorded the most positive growth in the first quarter of 2024 compared to other sectors. This reinforces investors confidence in these stocks as the traditional economic drivers that continue to be actively traded daily on the stock exchange (Kurnia, 2024). This confidence is also attributed to the fact that several financial sectors stocks, such as banking stocks, have large capitalizations and are highly liquid (Ananda & Santoso, 2022). Moreover, banking sector stocks are considered resilent or highly durable. In other words, during a crisis, the banking industry is often the first sector to recover (Tradesmart, 2024).

Stock returns are one of the key factors that motivate investors to make investment and acting as a reward for their willingness to take on the risks associated with their investments (Fitroh & Fauziah, 2022). The banking sector serves as a vital financial intermediary, facilitating economic development by acting as a mediator between parties involved in financial transactions, must also be able to reflect good returns for its potential and existing shareholders (Pratika et al., 2023). To achieve optimal stock returns, company's financial performance must be evaluated by investors to manage and analyze various possibilities that may arise in the future (Sidarta et al., 2021).

The bank's financial performance is component of its overall performance (A. Maulana, 2023), and it is an indicator needed by investors before making an investment (Gayatri & Sunarsih, 2020), Investors require relevant information and proper performance measurement tools, so they can assess whether the company whose stocks they plan to purchase has good financial performance and high company value. This allows investors to make investment choices that provide positive returns (Nurulrahmatiah et al., 2020). Financial performance of a companies can be assessed, among other methods, using ratio analysis, which is derived from financial statement information (Butar Butar, 2019), these statements are issued periodically and consist the all the accounting information on the company's report, which together offering a comprehensive view of the company's financial position. This information serves as a signal that can influence changes in stock trading volume, as all information released by the company's management determine whether it represents a positive or negative signal. The importance of the role of banking companies in fostering a country's economic growth requires bank and financial institutions maintain reliable financial statements (B. L. Y. Nugraheni, 2023). Good performance will result in an impact on stock price increases, and when stock prices rise, the returns generated will also be higher, which attracts investors to invest (Meilinda & Destriana, 2019). Conversely, unreliable financial statements will increase the likelihood of a decline in stock prices (Butar Butar & Murniati, 2021).

The performance of a company and its financial ratios are closely related. Financial ratios come in various types, and each ratio serves its specific purpose (Intani et al., 2021). Financial statement ratio analysis includes: (1) Liquidity ratio analysis, specifically the Loan to Deposit Ratio(LDR), which is useful to show the ability of the bank to attract public deposits of third-party funds relative to the funds disbursed in the form of loans (Purwanty, 2018). A higher LDR leads to greater bank profitability, provided that the bank efficiently manage its loans allocation (Fanesha et al., 2021). (2) Profitability ratio analysis, including Return on Equity (ROE), is valuable for assessing company's capacity to make profit. A high ROE signifies that a company efficiently utilizes its capital to produce profits, which usually attracts investors and leads to an increase stock prices. (3) Solvency ratio analysis, including Capital Adequacy Ratio (CAR), is used to assess the capacity of a company to maintain sufficient capital to absorb potential losses (Permana et al., 2022). (4) Activity ratio analysis, including Total Asset Turnover (TATO), is useful for measuring how efficiently a company utilize its assets by examining the level of asset activity. An increase in profits from asset utilization signifies an improvement in the company's performance (Meilinda & Destriana, 2019).

Besides financial performance-based investment, investments guided by Environmental, Social, and Governance (ESG) criteria have grown increasingly popular in the past few years. ESG refers to a set of standards for a company's investment practices which integrates and implements its policies in alignment with the principles of ESG (Kartika et al., 2023). According to the regulation No.51/POJK.03/2017 by OJK, all financial services institutions operating in Indonesia are mandated to develop a finance action plan that sustainable and issue an annual sustainability report (Inayah et al., 2022). Based on data from OJK as of December 2020, there were 14 ESG-based mutual fund and ETF products with assets under management reaching 3.062 trillion rupiah. This value has significantly increase since

ESG-based mutual funds were first introduced in Indonesia in 2015, when the assets under management were only 36 billion rupiah (Aditama, 2022). One of the most urgent issues that must be addressed by any industry, including banking, is sustainability (Aini & Anggraini, 2024). The Indonesia Stock Exchange (IDX) is also making awareness among stakeholders in the capital market, implementing electronic reporting, launching environmentally friendly programs in the capital market, and introducing the IDX ESG Leaders Index. Recent global financial market conditions show that investors are increasingly focusing on non-financial factors in their portfolio selection process, including ESG factors (Aziz, 2022). However, according to a survey conducted in 2021 by the Indonesia Business Council for Sustainable Development, 40% of companies operating in Indonesia still lack understanding of the importance of implementing ESG.

Based on various prior studies, the result concerning the financial performance ratios effect on stock returns differ. In terms of liquidity ratios, differences were found between studies by (Juliana et al., 2019) and (Patricia et al., 2021) argue that LDR positively affects stock returns. Meanwhile, the studies by (Sitaneley et al., 2021) and (Rusdiyanto et al., 2019), LDR has no impact on stock return. Similarly, different results were also found for profitability ratios. According to (Simonangkir, 2019) and (Tarau et al., 2020), ROE has a positively and significantly affects on stock returns. However, (Setia Noor & Kalimantan Muhammad Arsyad Al-Banjari, 2020), (Gaib et al., 2022), and (Hutahuruk, 2022) found the opposite, concluding that ROE does not impact on stock returns. In terms of solvency ratio measurements, research by (Andirfa et al., 2021) state that CAR positively affect stock returns, while (Sari et al., 2021) reported that CAR negatively affect on stock return. On activity ratio measurements, (R. Nugraheni & Paramita, 2020) showed that TATO has no impact on stock returns. This result contracts with research (Tarau et al., 2020) and (Afni et al., 2024) that indicate a positive impact between TATO and stock returns.

Findings from several previous studies indicate a lack of consensus on the results of these financial ratios on stock returns. Studies conducted over the past five years also has not specifically examined the entire banking subsector. Furthermore, ESG factors were chosen by the researcher as a measure company value, which also considered as a concept complementing previous concepts such as CSR and GCG (Nurdiati et al., 2023) which have not been extensively studied as variables that could potentially influence stock returns. Therefore, the author is keen to analyze the financial performance and ESG scores impacts on stock returns within the banking sub-sector, with the aim of raising awareness among companies not only to maintain financial performance but also to enhance company value by recognizing the importance of implementing ESG practices today.

Signalling Theory

According to Spence (1973), signalling theory explains that the information released by a company is crucial for investors and other market participants, influencing their investment decisions (Handayani et al., 2022). When investors receive positive signals from a company's actions, they tend to increase their demand for stocks, which contributes to an increase in stock returns. These signals can be communicated through the disclosure of accounting information, including the financial report publication (Khasanah & Suwarti, 2022). Signalling theory is also described as a theory about how a company conveys information ratios, providing a statement that sends a signal to investors for their decision-making process. When investors received the information, it should be pre-evaluative or analytical information, indicating whether the signal is positive of negative (Muslih & Amin, 2018).

Stock Return (SR)

Return is the difference or change in stock prices in the form of a gain (possible gain) obtained from corporate action such as stock bonuses, dividend distributions, and other forms that ultimately lead to stock price fluctuations in the market or in the form of a loss (possible loss) that may occur due to the closure of stocks suspended by the government or the court leading to a decline in stock prices (Juliana et al., 2019). According to (Jogiyanto, 2015), stock returns refer to the gains generated from an investment. Returns can be classified as realized return which has already been achieved, or expected return which are anticipated to occur in the future. Brigham and Houston (2010:2015) define stock return as the variance between the received amount and the initial investment, relative to the initial investment itself (Abdilah & Pricilya, 2022). From the definitions above, it can be concluded that stock return represents the percentage of profit or loss generated from a completed investment. Stock return can serve as a key factor in attracting investors to allocate their funds in the capital market. Therefore before investing in stocks, investors must carefully select and evaluate the companies to be included in their portofolio (Sidarta et al., 2021).

Financial Performance

Financial performance according to Rahayu (2020:7), is the success, achievement, or work capability of a company in creating value for the company or its shareholders through effective and efficient methods (Rahma et al., 2022). (Rudianto, 2013) explained financial performances as the outcome or achievements reached by company's management in efficiently handling its assets over a specific period. It is crucial for companies to comprehend and assess the extent of their success based on their carried out financial activities.

Liquidity Ratio

(Fahmi, 2017) explained liquidity ratio as a measures for company to meets their short-term obligations in a timely manner. This ratio is crucial, because it can result a decline in its value or reduce investors interest if a company failure to meets its short-term obligations. According to (Kasmir, 2016), the Loan to Deposit Ratio is a measure that evaluate the proportion of the extended credit to the total of public funds (or self-capital) utilized.

Profitability Ratio

According to Sartono (2012:120) profitability refers to an ability of a company to produce profit by its total assets sales, or equity (Sukma et al., 2019). Higher profitability indicates a greater capacity of the company to generate substantial profits. Hery (2016:107) defines Return on Equity ratio measures the extent to which equity contributes to generating net profit (Laiya et al., 2022). A higher ROE signifies that more net profit is produced for each rupiah invested in equity.

Solvability Ratio

According to (Fahmi, 2017), the solvency or leverage ratio assesses the extent to which a company depends on debt for its financing. An excessive reliance on debt can be detrimental, as it may result in extreme leverage, putting the company burdened with a high debt levels and struggling to alleviate this financial strain. According to Rahmani (Martono & Rahmawati, 2020), Capital Adequacy Ratio is a banking performance metric that evaluates the sufficiency of capital in supporting risk-generating assets. According to regulations from Bank Indonesia No.14/18/PBI/2013, a bank categorized as healthy must have a CAR ratio of at least 8%, as required by the Bank of International Settlements (BIS).

Activity Ratio

Activity ratio according to Fahmi (2020) indicates how well a company utilizes its resources to support its operational activities (Catherina et al., 2021). According to (Zulfikar, 2016), Total Assets Turnover is a metric that measures how efficiency a company in asset utilization and evaluates the amount of sales are generated for each rupiah of its assets.

Environmental, Social, Governance (ESG)

According to (Noviarianti, 2020), ESG is a framework for corporate investment practices that integrates company policies with the principles of ESG considerations. The OECD (2022) defines ESG as the process of incorporating these factors into asset allocation and risk management decision thus generating long-term financial return that sustainable. Thus, ESG represents corporate activities that focus not only on profitability but also adherence the principles of ESG practices within the company.

Loan to Deposit Ratio (LDR) on Stock Return

LDR measure the proportion of the credit extended by a bank relative to the funds it has received, reflecting the bank's ability to meet depositor withdrawals based on the loans it has issued (Marya Ulfa, 2020). In accordance with signaling theory, a healthy LDR serves as a positive signal to investors about the bank's efficiency in utilizing funds to provide loans and generate interest income. The OJK or Financial Services Authority, through the regulation of BI No.15/7/PBI/2013 states that the ideal LDR range for banks to be is between of 78% and 92% (Laras, 2024). The more credit a bank extends, the higher its liquidity level, which can also serves as a positive signal for investors. However, a larger amount of credit extended is also expected that the bank will also generate a higher return (Dewi et al., 2024). This hypothesis is also supported by studies (Patricia et al., 2021) and (Wulandari, 2022) which also state that LDR positively affect stock returns.

H1: LDR has a positive effect on stock return.

Return on Equity (ROE) on Stock Return

Circular Letter No.13/24/DPNP from Bank Indonesia outlines that ROE is utilized to assess a bank's capability to produce profit from its paid-up capital. High ROE acts as a strong signal of the performance of the company financial performance and prospects to investors (Mushofa & Susetyo, 2021). This will attracts investor to purchase the company's shares. In the banking industry, a high ROE signifies that the bank can generate substantial profits from its shareholders equity, which reflect its operational efficiency and the quality of management. This makes investors more confident in the bank's future profit potential, assuring them of better returns on their investments (Setiono, 2017). Research by (Setyarini et al., 2020) and (Astohar et al., 2021) also support this state that ROE has a positively influence on stock returns.

H2: ROE has a positive effect on stock returns.

Capital Adequacy Ratio (CAR) on Stock Return

CAR is one of the important factors for assessing bank's financial stability and its ability to endure financial crises (Budianto & Dewi, 2023a). Based on the regulation No.14/18/PBI/2013 by Bank Indonesia, the minimum CAR requirement is set at 8% (Wiranthie & Putranto, 2022). A high CAR is considered a positive signal for investors, as it shows that a higher CAR enhance the bank ability to bear risk and the healthier financial condition (Hutasoit et al., 2019). Bank with strong CAR are considered more stable and capable to survive challenging market conditions, prompting investors to regard it as an indicator of the safety of their investment. This perception can potentially increase demand for bank shares, which will ultimately encourage an increase in stock returns. This hypothesis consistent with the studies (Andirfa et

al., 2021) and (Wulandari, 2022) which also state that CAR has a positive influence on stock return.
H3: CAR has a positive effect on stock returns.

Total Asset Turnover (TATO) on Stock Return

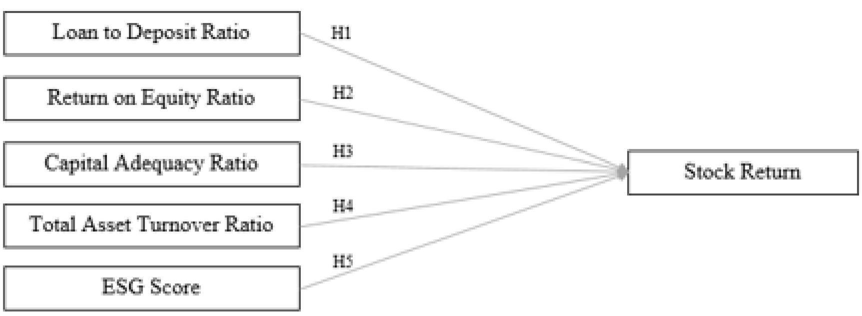
A high TATO is a signals to investors that the company has efficient asset management and strong operational performance. In the banking industry, a high TATO indicates the efficiently of the bank to utilize its assets usage by maximizing the revenue generated from the assets it holds (Nurwulandari & Filia, 2023). This reflects good management performance in optimizing asset usage, serving as an indicator of potential higher profitability in the future. Thus, a high TATO acts as a signal for investors that the bank has strong operational performance and is able to utilize assets optimally (Adita & Mawardi, 2018), which overall can positively influence stock returns. This hypothesis consistent with studies by (Fakhri Rana Sausan et al., 2020) and (Naibaho et al., 2023) which also demonstrate that TATO has a positively affect stock returns.
H4: TATO has a positive effect on stock returns.

ESG Score on Stock Return

Companies with high ESG scores demonstrate compliance with responsible environmental practices, social welfare, and transparent governance which reduces reputational risks and enhances public trust (Albitar et al., 2020). ESG disclosure serves as a positive signal for investors, allowing the company to receive a favorable assessment in investor's perspective. In the banking context, a high ESG score indicates that the bank is not only focused on profitability but also on environmental impact, social responsibility, and transparent governance practices (Rahmansyah & Mutmainah, 2024). This is important because banks that achieve high ESG scores generally maintain stronger relationships with regulators, the public, and other stakeholders, which helps mitigate reputational risks and improve operational stability. Investors view a high ESG score as an indicator that the bank is prepared to address environmental and social risks and is more resilient to crises that may arise from non-financial issues (Roestanto et al., 2022). This hypothesis is supported by research by (Y. Maulana et al., 2023) which suggests that ESG score, as an intervening variable, positively impacts stock returns and (Hari Purnomo et al., 2024) which states that the ESG Score affect stock prices.
H5: ESG Score has a positive effect on stock return.

In line with the background and the hypotheses proposed in this study, the conceptual framework of the research is outlined as follows.

Figure 1.Research Framework



Source: Researcher, 2024

RESEARCH METHODS

This study employs a quantitative research approach, focusing on banking subsector companies that are listed on the Indonesia Stock Exchange (IDX) between 2020 and 2023 period. The total population consist 47 banking subsector companies listed. A purposive sampling method is used for data collection, selecting companies based on specific criteria. The study relies on secondary data sourced from the selected companies's annual reports. The data sources include the financial reports are obtained from the official websites of the company and the IDX website. The sample for this study includes banking subsector companies that fulfill the following criteria:

1. Banking subsector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023 period.
2. Availability of annual financial report publication dates for the years 2020-2023.
3. Companies that have ESG scores for the 2020-2023 period, assessed according to the Global Reporting Initiative standards..

In this study, the variables include stock returns as the dependent variable, while LDR, ROE, CAR, TATO, and ESG scores serve as the independent variables. The measurement of these variables in this research can be outlined as follows:
Stock returns reflects the profit or loss generated from an investment that has already been executed. Stock return can be calculated using the following approach (Wijayanti, 2022):
Stock Return = Pt – (Pt-1)/ (Pt-1)…………………………………………..……………… (1)

Loan to Deposit Ratio/LDR is used to evaluate the proportion of loans in relation to the total funds sourced from the public and the bank's own capital. LDR can be approach by (Sitaneley et al., 2021):
LDR = (Total Loans/ Total Deposits)…………..…………………………......………… (2)

Return on Equity/ROE ratio indicates the extent of equity's contribution to generating net profit. According to Brigham & Houston (2013), ROE can be approach by (Setyarini et al., 2020):
ROE = (Earning After Tax/ Total Equity)……………………..…………………………… (3)

According to (Rahmani, 2017), Capital Adequacy Ratio/CAR is a banking performance metric that assesses the sufficiency of a bank's capital to cover risk-bearing assets. CAR can be approach by (Martono & Rahmawati, 2020):
CAR = (Capital/ Total Risk Weighted Asset)……………………………...……….…… (4)

Total Assets Turnover/TATO is used to assess the company's total assets turnover and determine the total of revenue produce from each unit of currency invested in those assets. The calculation of TATO can be approached by (Nadya, 2023):
TATO = (Net Sales/ Total Average Assets)…………………………...………………… (5)

Environmental, Social, and Governance stands for an investment practices standard that incorporates and implements company policies in allignment with E, S, and G concepts. The ESG score is derived from the scoring criteria set by the Global Reporting Initiative (GRI).

RESULTS AND DISCUSSION

The analytical method employed in this research is multiple regression analysis using SPSS software, which is effective for analyzing the impact of multiple independent (X) variables on a dependent (Y) variable. This test helps in measuring the significance of each independent variable and understanding the extent of its impact of each X variable through regression coefficients. The following is the regression equation applied in this study:

$$Y = \alpha + \beta1.LDR + \beta2.ROE + \beta3.CAR + \beta4.TATO + \beta5.ESGS + \varepsilon$$

From the sample of 47 banking subsector companies during the 2020 to 2023 period, a total of 115 data points were collected. However, to satisfy the criteria of the classical assumption tests, only 88 valid data points were used in this research.

Table 1. Sample Data

Description	Total	
Companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023	47	
Companies that did not have annual financial report publication dates from 2020-2023	(0)	
Companies that did not have ESG scores for the 2020-2023	(1)	
Total Companies	46	Sample
Total data 46 companies x 4 years		184
Total data from companies that do not have annual financial report publication dates from 2020-2023		(1)
Total data from companies that do not have ESG Score from 2020-2023		(68)
Data outlier		(27)
Total data sample		**88**

Descriptive Statistics

In this research, descriptive statistical analysis is utilized to employed and interpret the statistical overview of the data. The next section outlines the result of the descriptive analysis conducted in this study.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LDR	88	0.21	2.20	0.8265	0.26194
ROE	88	-24.56	41.59	8.8678	10.11489
CAR	88	11.13	82.52	28.0830	12.17003
TATO	88	0.03	0.79	0.0822	0.08118
ESGS	88	0.14	1.00	0.4830	0.21814
SR	88	-0.008	0.007	-0.00144	0.002966
Valid N (listwise)	88				

Source: Data Processed by Researcher (SPSS 21)

The descriptive statistics summary for the variables utilized in this study presented on the table above. The result table show that the average value of the dependent variable (stock return) is -0.00144, meaning that the t-1 period's stock price is greater than the stock price in the t period. The financial performance variables, including LDR, ROE, CAR, and TATO in order have average values of 0.8265, 8.8678, 28.0830, and 0.0822. Meanwhile, the average value of ESG score variable is 0.4830.

Classical Assumption Test Results

Normality Test

Table 3. Normality Test Results

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	0.087	88	0.095	0.981	88	0.233

Source: Data Processed by Researcher (SPSS 21)

The following normality test result using the explore K-S test, reveal the sig. value is 0.095 which is exceeds sig. level of 0.05. Therefore, it can be inferred that the data used in this research is normally distributed.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
LDR	0.820	1.220
ROE	0.870	1.150
CAR	0.707	1.414
TATO	0.957	1.045
ESGS	0.882	1.134

a. Dependent Variable: Stock Return

Source: Data Processed by Researcher (SPSS 21)

As per the test result above, the Tolerance value of all the variables are greater than 0.1 and the VIF values are below 10.00. Concluding that the independent variables in this study are free from multicollinearity.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Model	Unstandardized Coefficients		Standardize Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.001	0.000		2.733	0.008
LDR	0.000	0.000	0.106	0.896	0.373
ROE	1.378E-005	0.000	0.144	1.248	0.216
CAR	-1.699E-006	0.000	-0.021	-0.167	0.868
TATO	-0.002	0.001	-0.183	-1.667	0.099
ESGS	0.000	0.001	-0.057	-0.502	0.617

Source: Data Processed by Researcher (SPSS 21)

The Glejser test was performed to examine the heteroscedasticity in the data. Based on the result table, the sig. values of the LDR, ROE, CAR, TATO, and ESG Score variables are above the α=0.05 significance level, which indicate that none of these variables have heteroscedasticity issues.

Autocorrelation Test

Table 6. Autocorrelation Test Results

Model	R	R Square	Adj. R Square	Std. Error of the Estimate	Durbin-Watson
1	0.819[a]	0.670	0.650	0.001753	2.147

Source: Data Processed by Researcher (SPSS 21)

Based on the Durbin-Watson results, the DW value of this test is 2.147, which meet the criteria of the DW Test, where DU < DW < (4-DW). For the 88 data points in this study, the DU value is 1.7749. It can be inferred the data used in this research does not exhibit autocorrelation as the DW value of 1.7749 < 2.147 < 2.2251.

Multiple Regression Test

Table 7. Multiple Regression Test Results

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

	B	Std. Error	Beta		
C	-0.010	0.001		-11.283	0.000
LDR	-0.001	0.001	-0.095	-1.362	0.177
ROE	-2.337E-005	0.000	-0.080	-1.173	0.244
CAR	0.000	0.000	0.730	9.688	0.000
TATO	0.005	0.002	0.136	2.095	0.039
ESGS	0.008	0.001	0.595	8.806	0.000

a. Dependent Variable: Stock Return
Source: Data Processed by Researcher (SPSS 21)

The equation model derived from the result above is formulated as follow:
SR = -0.010 - 0.001LDR - 2.337E-005ROE + 0.000CAR + 0.005TATO + 0.008ESGS

Based on the test results above, the hypothesis discussion is outlined as follows.

The Effect of Loan to Deposit Ratio (LDR) on Stock Return

The output reveal that the Loan to Deposit Ratio (LDR) does not impact stock returns. According to the results of the descriptive test, the average LDR ratio in this study is 82%, which falls within the safe range established by the OJK as per Bank Indonesia Regulation No.15/7/PBI/2013 (Laras, 2024). However, despite being within the safe limit, the majority of profits derived from the bank’s loan distribution cannot be considered entirely secure due to the potential risk of non-performing loans, which may still impact the bank’s liquidity (Sitaneley et al., 2021). It concludes that this is not considered as a basis or signal for investors in determining expected return. This finding is consistent by studies by (Fahmi, 2017) and (Sitaneley et al., 2021), which similarly suggest indicate that LDR does not impact stock returns. Therefore, it can be concluded that this hypothesis (H1) is rejected.

The Effect of Return on Equity (ROE) on Stock Return

According to the Circular Letter No.13/24/DPNP/2011 by Bank Indonesia, a good ROE standard is above 15%. Referring to this standard, the average ROE in this study is 8.8%, which can be considered suboptimal. However, the research results indicate the sig. value is above 0.05, leading to the conclusion that ROE does not influence stock returns. This finding suggests that ROE level, or the bank ability to effectively utilize its capital to generate profit, is not a signal for investor to make investment decisions. This results align with studies conducted by (Yoewono & Setiawan Tasrih, 2022) and (Hutahuruk, 2022), which also state that ROE does not impact stock returns, which concludes that this hypothesis (H2) is rejected.

The Effect of Capital Adequacy Ratio (CAR) on Stock Return

The findings shows that CAR positively and significantly influences stock returns. Refers to the CAR’s minimum value set by Bank Indonesia Regulation which is 8%, the average CAR in this study shows 28%. This supports the argument that the higher a bank’s CAR, the more sufficient its capital is to absorb risks arising from its operational activities. As a result, the bank is more likely to generate stable and reliable profits in the future (Budianto & Dewi, 2023a). This indicates that the information serves as a positive signal for investors in establishing return estimates. This findings align with studies conducted by (Andirfa et al., 2021) and (Wulandari, 2022), which state that a higher CAR positively impacts stock returns. This hypothesis (H3) is accepted.

The Effect of Total Asset Turnover (TATO) on Stock Return

The research results indicate a positive impact between TATO and stock returns. In the banking sector, TATO is often used to evaluate a bank’s financial performance. This support the signaling theory which the higher TATO value reflects the bank is effectively manage its assets by maximizing asset utilization to generate revenue (Budianto & Dewi, 2023b), this serves as a positive signal for investor in making investment decisions. This findings support previous studies by (Fakhri Rana Sausan et al., 2020) and (Naibaho et al., 2023), which also found that TATO positively influences stock returns. This hypothesis (H4) is accepted.

The Effect of Environmental, Social, Governance (ESG) Score on Stock Returns
The final hypothesis indicates that the ESG Score positively and significantly impacts stock returns. This means that a great ESG Score can serve as a non-financial signal and demonstrates that bank is not only focused on profitability but also on environmental sustainability, social responsibility, and transparent governance practices. Investors perceive this as an indicator that the bank is prepared to handle environmental and/or social risks and is more resilient to crises arising from non-financial issues. Consequently, concludes that this hypothesis (H5) is accepted and supported the study by (Y. Maulana et al., 2023).

CONCLUSIONS AND SUGGESTION

Based on the test results, it indicate that the financial performance CAR, TATO, also ESG Score exhibit a positive significant effect on stock returns. On the other hand, LDR and ROE do not influence stock returns.

This study is expected to provide a broader understanding of the importance of integrating both financial and non-financial factors in maintaining favorable stock returns in the financial sector, particularly in banking. However, this research has several limitations, including a high degree of data variability, which resulted in the exclusion of many data points to meet the classical assumption tests. Additionally, the financial ratios used in this research were limited. For the future research, it is suggested to incorporate other financial ratios such as LDR, ROA, BOPO, and NPL or to expand the scope by including samples from other industries. Moreover, further studies could explore additional factors that may influence stock returns.

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The Influence of Accessibility in Financial Reports, Leadership of the Village Head, Community Participation, Competence of Village Officials on the Accountability of Direct Cash Assistance (BLT)

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ABSTRACT

This study aims to analyze the influence of Financial Report Accessibility, Village Head Leadership, Community Participation, and Village Apparatus Competence on the accountability of Village Fund Cash Assistance (BLT) management in Bika Hulu Village, Bika District, Kapuas Hulu Regency, West Kalimantan. This study used primary data collected through a questionnaire survey. The research sample was determined using the Slovin formula from a population of 1,001 villagers, resulting in 91 respondents. Data analysis was carried out using the Partial Least Square (PLS) 4.0 method. The results showed that Financial Report Accessibility and Village Head Leadership had a positive and significant effect on the accountability of BLT Village Fund management. Meanwhile, Community Participation and Village Apparatus Competence did not have a significant influence on the accountability of BLT Dana Desa management.

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INTRODUCTION

Poverty is one of the most pressing economic problems in Indonesia. One way to overcome poverty is through the implementation of development programs that start from the lowest level of government, namely the village. Various development programs are allocated to the village, because the village is a whistleblower in a fully differentiated autonomous democracy. From the past, villages have had different norm management mechanisms (Adrianti et al., 2023). According to Law No. 6/2014 on Villages, Article 1 Paragraph 1, a village is defined as a legal community unit that has territorial boundaries and is authorized to regulate and manage government affairs and the interests of the local community. Villages can also refer to customary villages or other similar names that have origin rights or traditional rights recognized in the government system of the Unitary State of the Republic of Indonesia (Directorate General of Fiscal Balance, 2016). In addition, in Article 72 Paragraph (1d), the Law also regulates the sources of village income, one of which is the allocation of village funds. The allocation of village funds is part of the balancing funds received by the regency/city, and in Paragraph (4) of the same article, the allocation of village funds is from the balancing funds received by the regency/city in the Regional Revenue and Expenditure Budget, minus the Special Allocation Fund (Jaya, 2019). The government must prepare measures to address the potential increase in poverty caused by limited access to food, especially due to job losses. Otherwise, the poverty rate will continue to rise. In addition, many news reports in print and electronic media describe how difficult life is for people who are below the poverty line, who are full of limitations and have a low economic level (Sutanto & Hardiningsih, 2021)

Direct Cash Assistance is assistance that comes from village funds and is intended for the poor. The village funds used for this BLT-Dana Desa program were diverted from the 2020 village budget, which was originally planned for village infrastructure development. Village governments are believed to better understand the prioritized needs of local communities compared to district governments, which have a broader and more complex range of issues (Basri et al., 2021). Therefore, it is suspected that the competence of the village apparatus may be a variable in how accountability in village management works (Andriyanti & Savitri, 2024). The government of Kapuas Hulu District, West Kalimantan Province, supports the activities of the Village Fund Bantuan Langsung Tunai (BLT) program. The Head of the Kapuas Hulu District Community and Village Empowerment Office, Rupinus, on Tuesday evening (14/01/2021), said that the Village Fund Cash Assistance (BLT) program aims to reduce poverty at the village level. The Kapuas Hulu District Government prepared a maximum of 15 percent from the village fund allocation of Rp246.1 billion for the distribution of direct cash assistance to 278 villages (Kapuashulukab, 2021). The first stage of the BLT village fund is distributed to eligible families (KK), namely the underprivileged and vulnerable groups. This research was conducted in Bika Hulu Village, Bika District, which is located in Kapuas Hulu Regency, West Kalimantan. The selection of this location was based on the lack of research that discussed the influence of the village apparatus' competence in managing Direct Cash Assistance. In addition, the research object was chosen based on the amount of Direct Cash Assistance received by Bika Hulu Village. Bika Hulu Village, Bika District was chosen as the research object because problems were found in the field during the distribution of BLT DD. Some recipients were double-registered as BLT DD recipients and were also registered as recipients of Cash Social Assistance (BST). To prevent this, BLT DD will not be given to them and will be transferred to people who are considered more qualified to receive the assistance. This policy is accompanied by efforts to improve the accountability of Village Fund management by ensuring that assistance is provided in a targeted manner and in accordance with the principles of fairness and transparency in the distribution of funds. The responsibility of supervising village funds is a responsibility that must be carried out by the village government as a regulatory organizer, and subsequently as a village asset manager for the local area that benefits from the utilization of village funds (Saputra & Kusumawardani, 2024).

Various previous studies have discussed aspects of accountability in the management of the Village Fund from various perspectives. Sutanto & Hardiningsih, (2021) examined the management of BLT Dana Desa during the Covid-19 pandemic, while Limba et al., (2021) examining the accountability of Village Fund management within the framework of Theory of Planned Behavior. Behavioral finance theory, which is a more specific branch of the theory of planned behavior, studies how individuals respond to financial information received as a basis for decision-making (Kusumawardani et al., 2023). Adrianti et al., (2023) explored the effect of accountability and transparency on BLT Village Fund management with the internal control system as a moderating variable. In addition, Romigius et al., n.d. (2022) and Indriasih et al., (2022) highlighted the role of financial report accessibility, internal control systems, and village apparatus competencies in improving the accountability of Village Fund management. The leadership factors of the village head, community participation, and the competence of village officials are also the focus of research by Hulu & Rahim, (2022) and Siahaan & Komariah, (2022). Yusnida et al., n.d. (2024) added that transparency and community participation also contribute to the accountability of Village Fund management. From an international perspective, Oktari et al., (2022) examined the implications of Village Fund management accountability on village government performance. Other studies, such as those conducted by Aurelia et al., (2023) and Fitra et al., (2024), also emphasize the importance of village apparatus competence, organizational commitment, transparency, and community participation in realizing more accountable Village Fund management.

Countries with democratic principles provide access through various media, such as newspapers, magazines, radio, television stations, websites (internet), and institutions that focus on the interests of the community. Accessibility of financial reports, as stated by Subhan et al., (2022) shows that the socialization of local budget expansion summaries has an impact on the accountability of provincial financial management, while the transparency of fiscal reports affects the responsibility of monetary administration in a region. Together, socialization of provincial financial reports and fiscal transparency contribute to increased monetary administration accountability. In the context of Village Fund management, digitalization also plays an important role in improving transparency and accountability by leveraging technology to simplify and accelerate the distribution of cash transfers. In addition, digitization also supports more accurate and efficient data collection of beneficiaries and facilitates faster and more secure transactions, helping to expand the reach of beneficiaries, especially in remote areas (Suyatno et al., 2024). Effective leadership within the village government plays an important role in ensuring accountability in the management of the Village Fund, including the distribution of BLT-Dana Desa. As the highest leader, the village head is fully responsible for transparency, fairness, and accuracy of targeting in the distribution of assistance. Good leadership can encourage compliance with regulations, increase community trust, and ensure that every stage of BLT Dana Desa management runs efficiently and in accordance with the principles of accountability. The meaning of community participation is the involvement of citizens in identifying problems, making decisions, and assessing changes(Nurhayati et al., 2021).

Community participation in village financial management reflects good communication between citizens and village government (Masruroh et al., 2022). Therefore, accountability in the management of village funds can be realized not only as the responsibility of the village apparatus as the village government but also involves the participation of the village community. The competence of the village apparatus plays an important role in producing accountable financial reports. Village officials who understand accounting will reduce errors and can prepare financial reports in accordance with the standards set by the government (Diansari et al., 2024). Rahmawati et al., (2023) states that there are three main components of competency formation, namely (a) Knowledge, (b) Skills and (c) Attitude. Based on the phenomenon gap and research gap previously described, the hypothesis in this study is as follows:

The Effect of Financial Report Accessibility on the Accountability of Village Fund BLT Management

The success of effective accountability depends on open public access to accountability reports and clear and understandable reports of findings. Countries with democratic principles provide access through various media, such as newspapers, magazines, radio, television stations, websites (internet), and institutions that focus on public interests. This is in accordance with the provisions stated in Permendagri No. 113 of 2014 article (Suryono et al., n.d., 2020). The accessibility of financial reports from (Subhan et al., 2022) stated that the socialization of the regional budget expansion summary has an impact on the accountability of provincial financial management, while the transparency of fiscal reports affects the responsibility of monetary administration in a region. Together, socialization of provincial financial reports and fiscal transparency contribute to the improvement of monetary administration accountability in the region.

Research conducted byIndriasih et al., (2022) shows that the Accessibility of Financial Statements has a positive effect on the Accountability of Village Fund Management. supported in Research fromFebrianti & Amalia, (2024) and Lero, (2022) which states that the Accessibility of Financial Statements has a positive effect on the Accountability of Village Fund Management. Based on the description above, the following hypothesis can be drawn:

H1: Accessibility of Financial Reports has a positive effect on the Accountability of Direct Cash Transfer Management

The Effect of Village Head Leadership on Village Fund BLT Management Accountability

Leadership can be defined as an effort to create desire, respect, obedience, and trust from a leader, so that the people being led are willing to do something to achieve the mission and goals of the organization effectively and enable them to work efficiently. In the village government, the village head has great influence and occupies the highest position, thus holding full responsibility for all activities that take place in the village government. A committed leader can instill ethical standards and accountability mechanisms, ensuring that BLT funds are distributed fairly and used efficiently. The statistical significance of this relationship reinforces the idea that stronger village head leadership leads to greater accountability.

Research conducted by Udin, (2024) regarding the effect of leadership found that leadership has a positive effect on the accountability. and in research conducted by Hulu & Rahim, (2022) stated that the leadership of the village head in the management of village funds has a positive and significant effect on accountability. However, the results of this study contradict research conducted by Febrianti & Amalia, (2024) which found that the leadership of the village head has no effect on the accountability of village fund management. Based on the description above, the following hypothesis can be drawn:

H2: Village Head Leadership has a positive effect on the Accountability of Direct Cash Transfer Management.

The Effect of Community Participation on the Accountability of BLT Village Fund Management

Community participation is the active involvement of the community in the decision-making process, from planning to evaluating village development programs. Masruroh et al., (2022). The meaning of community participation is the involvement of citizens in identifying problems, making decisions, and assessing changes (Nurhayati et al., 2021). Community participation in village financial management reflects good communication between residents and the village government. This statement is in line with the stewardship theory which emphasizes that village governments do not only focus on individual interests, but also on common interests. When the community actively monitors the management of BLT funds, it can create pressure on village officials to act responsibly and reduce the risk of mismanagement or corruption. Additionally, participation allows for greater information flow, ensuring that beneficiaries are aware of their rights and the proper use of funds. However, the strength of this effect depends on factors such as access to financial information, the level of public awareness, and institutional support for community oversight. If these elements are weak, community participation may have little to no impact on accountability.

Research conducted by Atiningsih et al., (2019) and Oktari et al., (2022) concluded that community participation has a positive effect on the accountability of village fund management. However, this finding is different from research conducted by Ayem & Fitriyaningsih, (2022), which shows that community participation has no influence on the accountability of village fund management. Based on the description above, the following hypothesis can be drawn:

H3: Community participation has a positive effect on the accountability of direct cash transfer management.

The Effect of Village Apparatus Competence on the Accountability of BLT Village Fund Management

The village apparatus is a resource in the village government that is expected to have adequate competence. These competencies can be obtained through a process of learning and training. These activities allow individuals to master various information, skills, and develop good attitudes and behaviors. A competent village apparatus is able to complete tasks well. The competence of village officials plays an important role in producing quality financial reports. Village officials who understand accounting will reduce errors and can prepare financial reports in accordance with the standards set by the government.

Research by Pahlawan et al., (2020) states that the competence of village officials has a significant effect on accountability in the management of village funds. This means that the better the competence of the village apparatus, the better the accountability of the management of direct cash assistance. Research conducted by Polutu & Artikel, (2022), Negeri et al., (2019) and Rahmawati et al.,(2023) state that the competence of village government officials has a positive effect on the quality of financial reports. However, the results of this study contradict research conducted by Jayadi et al., (2025) which found that the competence of village officials has a negative impact on the accountability of village fund management. Based on the description above, the following hypothesis can be drawn:
H4: The competence of the village apparatus has a positive effect on the accountability of direct cash transfer management.

RESEARCH METHODS

This research is illustrative in nature by applying quantitative methodology, as exploration is conducted through numerical data to understand events that occurred in the past up to the current time. This kind of exploratory information is important data obtained directly from the main source without intermediaries. In this study, the main source of information was obtained through responses from questionnaires distributed to respondents. Respondents in this study were the people of Bika Hulu Village, Bika Sub-district, Kapuas Hulul District. The survey was conducted through a list of statements that had to be answered or filled in by the respondents. Researchers will distribute questionnaires to respondents, who will then provide answers using an ordinal scale. The method of collecting information in this study uses a quantitative approach which means that data analysis is carried out systematically using factual tools in a quantitative structure. The analytical tool used in this research is various direct regression tests using SMART PLS 4.0 software. The coefficient of determination is tested to build the inner model, with the results shown through the R Square value. This test aims to measure the extent to which the independent variable affects the dependent variable. Because variables and indicators are considered to have a zero mean scale and unit variance with standardized values, constants can be ignored in the model (Ghozali, 2023). The research equation model can be written as follows:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + e$$

Where:
Y = Accountability of BLT Management
α = Constant
$\beta 1$- $\beta 4$ = Variable regression coefficient
X1 = Accessibility Financial Report
X2 = Village Head Leadership
X3 = Community Participation
X4 = Village Apparatus Competence
e = Standard Error (5%)

The magnitude of the constant value in this regression model is reflected in α, while the magnitude of the regression coefficient of each variable is indicated by $\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$

RESULTS AND DISCUSSION

This descriptive analysis aims to present an overview of the information presented in a clear and informative manner. Descriptive statistics are used to explain the minimum, maximum, and other data characteristics. In this study, the independent variables analyzed include Accessibility of Financial Reports, Village Head Leadership, Community Participation, and Village Apparatus Competence, while the dependent variable is Accountability for Direct Cash Transfer Management. Visually, this study involved 91 respondents from Bika Hulu Village. Sampling for village communities using the Slovin formula as follows:

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

$$n = \frac{1.001}{1 + 1.001\,(1,0)^2}$$

$$n = \frac{1.001}{11,01}$$

$$n = 91$$

then the number of samples taken in this study were 91 respondent.

The results of the descriptive analysis are presented in Table 1.

Table 1. Descriptive Statistics

	Min	**Max**
Accessibility Financial Report	-4.420	1.279
Head Leadership Village	-4.918	1.166
Community Participation	-4.945	1.257
Apparatus Competence Village	-3.849	1.206
Management Accountability BLT	-4.964	1.278

Source: Processed Primary Data, 2025

The minimum values range from -4.964 to -3.849, while the maximum values vary between 1.166 and 1.279. These results indicate a relatively wide distribution of values across the variables. Specifically, Accessibility of Financial Reports has a minimum value of -4.420 and a maximum of 1.279, while Head Leadership in Villages ranges from -4.918 to 1.166. Community Participation and Apparatus Competence in Villages exhibit similar patterns, with minimum values of -4.945 and -3.849, respectively. Lastly, Management Accountability of BLT shows the widest range, with values between -4.964 and 1.278. These findings highlight the variation in accessibility, leadership, participation, competence, and accountability, which may influence further analysis and interpretation in the study.

Model Measurement

The relationships between variables and their indicators are evaluated using the Outer Model through three types of tests: convergent validity, discriminant validity, and reliability tests. Outer Model values are used to assess convergent validity, which as a general rule should be more than 0.7, although values between 0.4 to 0.6 are still acceptable.

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The Outer Model results in Table 2 show that most of the outer loading values are more than 0.7, so it can be concluded that all variable indicators have good convergent validity.

Table 2. Outer Loading

Variables	Indicator	Outer Loading	Description
Accessibility Financial Report	X1.1	0.812	*Valid*
	X1.2	0.906	*Valid*
	X1.3	0.915	*Valid*
Head Leadership Village	X2.1	0.868	*Valid*
	X2.2	0.916	*Valid*
	X2.3	0.836	*Valid*
	X2.4	0.803	*Valid*
Community Participation	X 3.1	0.848	*Valid*
	X 3.2	0.834	*Valid*
	X 3.3	0.840	*Valid*
	X 3.4	0.839	*Valid*
Apparatus Competence Village	X 4.1	0.904	*Valid*
	X 4.2	0.884	*Valid*
	X 4.3	0.870	*Valid*
	X 4.4	0.852	*Valid*
Management Accountability BLT	Y 1.1	0.891	*Valid*
	Y 2.2	0.889	*Valid*
	Y 3.3	0.846	*Valid*
	Y 4.4	0.884	*Valid*

Source: Primary data processed, 2025

All indicators used in this study have met discriminant validity, as evidenced by the correlation value of each indicator against its variable, as shown in Table 3.

Table 3. Correlations

Indicator	Accessibility Financial Report	Head Leadership Village	Community Participation	Apparatus Competence Village	Management Accountability BLT
Accessibility Financial Report	1.000	0.833	0.702	0.835	0.885
Head Leadership Village	0.883	1.000	0.815	0.804	0.871
Community Participation	0.702	0.815	1.000	0.719	0.733
Apparatus Competence Village	0.835	0.804	0.719	1.000	0.777
Management Accountability BLT	0.885	0.871	0.733	0.777	1.000

Source: Primary data processed, 2025

Table 4 shows that the value of each variable is > 0.7, so it can be concluded that the research model used has good reliability.

Table 4. Composite Reliability, Cronbach's Alpha & Average Variance Extracted

Variables	Cronbach's Alpha	Composite Realibility	Average Variance Extracted (AVE)
Accessibility Financial Report	0.853	0.883	0.772
Head Leadership Village	0.880	0.892	0.734
Community Participation	0.864	0.865	0.734
Apparatus Competence Village	0.862	0.904	0.706
Management Accountability BLT	0.901	0.897	0.753

Source: Primary data processed, 2025

Table 5 shows that the model has an ability of 84.3% in explaining the variables of Financial Report Accessibility, Village Head Leadership, Community Participation, and Village Apparatus Competence. This indicates that the model can explain variations in the Community Empowerment variable well.

Table 5. R-Square & R-Square Adjusted

Variables	R-square	R-square adjusted
Management Accountability BLT	0.843	0.835

Source: Output SmartPLS

Table 6 above shows that the model implied in the correlation matrix is reasonably fit, as indicated by the SRMR value of 0.082 less than 0.08. Standardized Root Mean Square Residual (SRMR) is a good fit measurement for PLS-SEM and can be used to avoid model misspecification.

Table 6. Goodness of Fit (GOF) Testing Results

Parameter	Estimated Model	Standart
SMRM	0.082	< 0.08

Source: Output SmartPLS

The t test results of the Financial Report Accessibility variable obtained a significance value of 0.000 > 0.05. This means that the Financial Report Accessibility variable has a positive and significant effect on the Accountability of Direct Cash Assistance Management. Thus, hypothesis one states that the accessibility of financial reports has a positive effect on the accountability of direct cash assistance management. This result has the same result with the research of Indriasih et al., (2022). When financial reports are easily accessible, stakeholders—including government agencies, auditors, and community members—can monitor fund allocation, reducing the risk of mismanagement and ensuring compliance with regulations. Greater transparency fosters better decision-making, allowing discrepancies to be identified and corrected promptly.

The t test results of the Village Head Leadership variable obtained a significance value of 0.001> from 0.05. This means that the Village Head Leadership variable has a positive and significant effect on the Accountability of Direct Cash Transfer Management. Thus hypothesis two which states that Village Head Leadership has a positive effect on the Accountability of Direct Cash Assistance Management. The same with a research result from (Udin, 2024), which a strong and competent village head fosters a culture of transparency, enforces regulatory compliance, and ensures that financial processes are properly monitored.

The t test results of the Community Participation variable obtained a significance value of 0.637> from 0.05. This means that the Community Participation variable has insignificant effect on the Accountability of Direct Cash Transfer Management. Thus hypothesis three which states that Community Participation has a positive effect on the Accountability of Direct Cash Transfer Management is rejected. This research result has the same result with the research of Aldo et al., (2023) and (Indraswari & Rahayu, 2021). Community involvement is essential for transparency, but it may not directly influence accountability in a meaningful way. This could be due to limited access to financial information, lack of awareness or capacity among community members to oversee fund management, or weak institutional mechanisms that fail to translate participation into tangible accountability outcomes. Additionally, if decision-making power remains concentrated among village officials, community input may have minimal impact on how BLT funds are managed. The statistical insignificance indicates that other factors, such as leadership and financial transparency, may play a more dominant role in ensuring accountability.

The t test results of the Village Apparatus Competency variable obtained a significance value of 0.675> from 0.05. This means that the Village Apparatus Competency variable has a negative and insignificant effect on the Accountability of Direct Cash Transfer Management. Thus hypothesis four which states that the Competence of the Village Apparatus has a positive effect on the Accountability of Direct Cash Assistance Management is rejected. Same as the result of Aldo et al., (2023) which found that higher competency among village officials does not necessarily lead to better accountability. This could be due to the possibility that competent officials, while skilled, may operate within weak governance structures or lack proper oversight, reducing their influence on accountability. Additionally, if competency is not accompanied by strong ethical standards and transparency measures, it may not translate into responsible fund management. The statistical insignificance further implies that other factors, such as leadership and financial transparency, may play a more decisive role in shaping accountability outcomes.

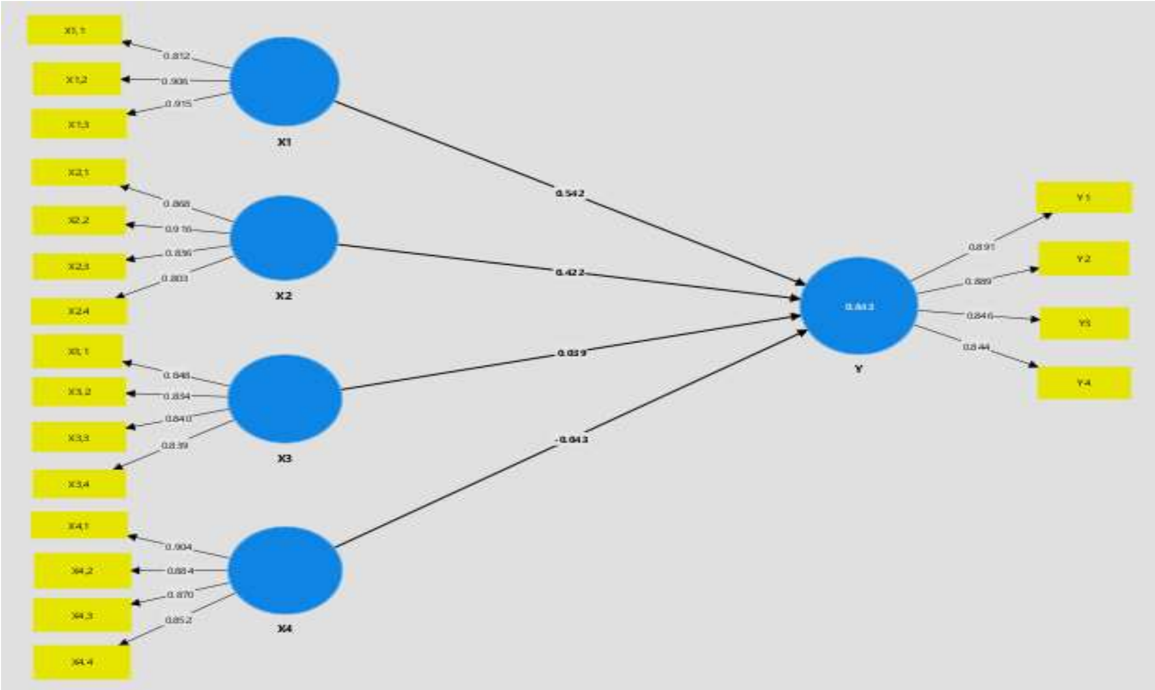

Figure 3. Partial Least Square Bootstrapping Test Results

CONCLUSIONS AND SUGGESTION

Based on the results of the analysis of the effect of accessibility of financial reports, leadership of the village head, community participation, competence of village officials on the accountability of direct cash assistance management, several conclusions can be concluded as follows: accessibility of financial reports has a positive and significant effect on the accountability of direct cash assistance management in Bika Hulu Village. The positive and significant effect indicates that the accessibility of financial reports has a significant or important role in increasing the accountability of direct cash assistance management in Bika Hulu Village. The leadership of the village head has a positive and significant effect on the accountability of direct cash assistance management in Bika Hulu Village. The positive and significant effect indicates that the leadership of the village head has a significantly important role in increasing the accountability of direct cash assistance management in Bika Hulu Village. Community participation has a negative and insignificant effect on the accountability of direct cash assistance management in Bika Hulu Village.

The negative and non-significant effect shows that the lack of community enthusiasm in Bika Hulu Village in village activities or programs has an effect on the increase or decrease in the accountability of direct cash assistance management. The competence of the village apparatus has insignificant effect on the accountability of the management of direct cash assistance in Bika Hulu Village. The non-significant effect shows that the accountability of the management of direct cash assistance in Bika Hulu Village is not influenced by the competence of the village apparatus. It will automatically have an impact if the management of village funds is made more transparent. The Village Government of Bika Hulu Village Government must also make it easier for the community to receive access to information related to village funds and the village government must also manage village funds transparently or openly so that the community will be more enthusiastic and trust the village government. For Students, this research can be used as a reference for conducting further research by increasing variables and expanding samples that study the Accountability of Direct Cash Assistance Management. This research aims to provide a broader and more contemporary picture of the Accountability of

Direct Cash Transfer Management. Bika Hulu Village needs to increase community involvement in the management of village funds through the spirit of gotong royong, starting from the planning, implementation, decision-making, to the evaluation of results. The limitation of this study is the limited scope of the research area, as it focuses only on a specific region. Additionally, the sample size is relatively small, with only 91 participants using 10 percent error of slovins, which may affect the generalizability of the findings. For future research can add more participants.

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DO BIG DATA AND AUDITOR EXPERIENCE MATTER? ASSESSING FRAUD DETECTION WITH FORENSIC AUDITS AS A KEY MEDIATOR

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ABSTRACT

With advancements in data technology and the growing complexity of financial fraud, questions arise about the impact of Big Data and auditor experience on effective fraud detection. This study delves into the role of Big Data and auditor expertise in enhancing fraud detection and the effectiveness of forensic auditing, focusing on forensic auditing's potential as a mediating factor. Surveying 157 government auditors from Indonesia's Audit Board, the Financial and Development Supervisory Agency, the Financial Services Authority, and the Inspectorate General of the Riau Islands Regency. Data was collected through questionnaires and analyzed via PLS-SEM using Smart-PLS 3. The findings indicate that Big Data and auditor experience significantly bolster fraud detection and forensic auditing. However, contrary to expectations, forensic auditing does not directly influence fraud detection nor serves as a mediator in the relationship between Big Data and auditor experience in fraud detection. These insights underscore the independent yet complementary roles of Big Data and auditor expertise in fraud detection practices.

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INTRODUCTION

According to data from the International Data Corporation (IDC) on Indonesia's Big Data analytics software market in 2022, the growth rate of Big Data analytics software reached 14.7%, up from 12.5% in the second half of 2021. In Indonesia, Big Data is utilized in the government sector, particularly in procurement, to prevent corruption by promoting transparency[1]. The Association of Certified Fraud Examiners (ACFE) ranks Indonesia fourth in the number of fraud cases globally. Fraud cases in the financial services sector between 2018 and 2022 led to losses amounting to 123.5 trillion rupiahs[2]. One significant fraud case occurred at Asabri Company, where the Audit Board of the Republic of Indonesia identified financial mismanagement and irregularities in investment fund management from 2012 to 2019, causing state losses of 22.78 trillion rupiahs[3].

The bribery case involving four government auditors, in which the Corruption Eradication Commission seized 1.024 billion rupiah, has led to criticism regarding the effectiveness of internal oversight within the Auditor[4]. Consequently, auditor experience is crucial in detecting fraud, as more excellent experience enhances auditors' ability and proficiency in handling their tasks and audit activities. Auditor experience contributes significantly to improving audit quality.

[1] Accessible: The Big Data Analytics Market in Indonesia Grew by 14.7 Percent in the First Half of 2022
[2] Accessible Various "Fraud" Cases Threaten Indonesia's Economy
[3] Accessible: https://www.bpk.go.id/news/State Losses in the PT ASABRI Case Amount to Rp22.78 Trillion
[4] Accessible: ICW Highlights BPK's Internal Oversight

The government must take action against civil servants suspected of holding improper assets, as highlighted in the case involving a former official from the Directorate General of Taxes. In this case, forensic auditing was employed to investigate and prosecute individuals involved in fraud, embezzlement, or other financial crimes, making it an essential tool in supporting fraud detection efforts[5].

A study by (Syahputra & Afnan, 2020), states that Big Data has a positively influences forensic auditing and fraud detection. This finding is supported by research conducted by (Handoko et al., 2022) which demonstrates that Big Data affects both fraud detection and forensic auditing. This study also finds that forensic auditing positively impacts fraud detection and is proven to act as a partial mediating variable. Additionally, (Priyadi et al., 2022) assert that forensic auditing positively influences fraud detection. Research by (Laloan et al., 2021), highlights that auditor experience significantly affects fraud detection.

This study explores whether the integration of Big Data analysis, combined with the depth of an auditor's expertise, significantly influences fraud detection accuracy. Additionally, it examines the role of forensic audits as a critical mediator in this process, providing insights into how forensic practices can enhance the ability to identify and analyze fraud. By assessing these factors, this research aims to provide a comprehensive understanding of the tools and skills that may strengthen fraud detection in a data-rich environment.

This study employs agency theory to support the research findings. Agency theory explains the conditions that lead to fraud within organizations. It posits that fraudulent behavior can be understood through economics, decision-making, and sociology (Meckling & Jensen, 1976). Therefore, competent and experienced auditors are essential for effective fraud detection (Sembiring & Widuri, 2023). Attribution theory explains the internal attribution of individual behavior and focuses on external attributions, such as the social environment. This theory is related to the variable of auditor experience as an internal factor and the external influences of situational pressure, time constraints, difficulties, and opportunities in the workplace (Rafnes & Primasari, 2020). Attribution theory is relevant to the variable of auditor experience as an individual behavior in fraud detection.

The fraud pentagon theory identifies five factors that contribute to fraud: pressure, opportunity, rationalization, competence, and arrogance. A sense of superiority over one's authority suggests that individuals with power within an organization can control internal controls and the organization itself (Priyadi et al., 2022). A high level of self-interest can drive individuals to commit fraud, believing their actions will go undetected. Therefore, this theory is related to auditor experience and big data in the context of fraud detection.

Previous studies have found that Big Data has a positive and significant impact on forensic auditing (Sembiring & Widuri, 2023); (Syahputra & Afnan, 2020); (Handoko & Rosita, 2022); (Surono, 2023), and that auditor experience also has a positive and significant influence on forensic auditing (Sembiring & Widuri, 2023). Experience refers to the auditor's ability to perform their duties and responsibilities; the more years of experience an auditor has, the more skilled they become in collecting evidence, presenting the obtained data, and being accountable for their tasks. The consistent application of Big Data by auditors enhances the effectiveness of forensic auditing in fraud detection.s

The results of previous studies indicate that forensic auditing has a positive and significant impact on fraud detection (Sembiring & Widuri, 2023); (Syahputra & Afnan, 2020); (Handoko & Rosita, 2022); (Priyadi et al., 2022); (Ma'rifah & Setiawan, 2022); (Rahmawati et al., 2021); (Surono, 2023), and Big Data also has a positive and significant impact on enhancing fraud detection (Pratiwi, Surya, & Djefris, 2023); (Syahputra & Afnan, 2020); (Handoko & Rosita,

[5] Accessible: ICW Highlights BPK's Internal Supervision

2022); (Bandiyono, 2023); (Surono, 2023). Forensic auditing requires data collection, verification, analysis, and reporting. Forensic auditors should leverage strategies rooted in their knowledge, skills, and experience. They also need to excel across multiple disciplines, including accounting, information technology, and criminology. This broad expertise positions forensic auditing as one of the most powerful tools for aiding fraud detection and showcases its effectiveness in uncovering fraudulent activities (Sembiring & Widuri, 2023). Big Data expands the auditor's sources of information for fraud detection, aligning with agency theory, which supports that Big Data addresses agency problems and fraud within organizations. Big Data enhances data creation, visualization, and communication within internal teams in fraud detection. This demonstrates that Big Data effectively and efficiently detects fraud (Sembiring & Widuri, 2023).

Other studies have found that auditor experience has a positive and significant impact on fraud detection (Sembiring & Widuri, 2023); (Mannan et al., 2020); (Rahmawati et al., 2021); (Rafnes & Primasari, 2020); (Dewi Kusuma et al., 2021); (Wahyudi & Qintharah, 2023); (Welly et al., 2022); (Situmorang & Asmara, 2022); (Laloan et al., 2021). Auditor experience enhances and broadens their skill set, significantly influencing their ability to detect fraud. Furthermore, there is evidence that forensic auditing mediates the impact of auditor experience on fraud detection, as well as the influence of Big Data on fraud detection (Sembiring & Widuri, 2023). More excellent experience improves the auditor’s expertise and enhances their skills in assessing fraud risk.

Based on the findings from previous studies, the following hypotheses are formulated:

H_1: Big Data has a positive and significant effect on forensic auditing
H_2: Auditor experience has a positive and significant effect on forensic auditing
H_3: Forensic auditing has a positive and significant effect on fraud detection
H_4: Big Data has a positive and significant effect on fraud detection
H_5: Auditor experience has a positive and significant effect on fraud detection
H_6: Forensic auditing mediates the effect of Big Data on fraud detection
H_7: Forensic auditing mediates the effect of auditor experience on fraud detection

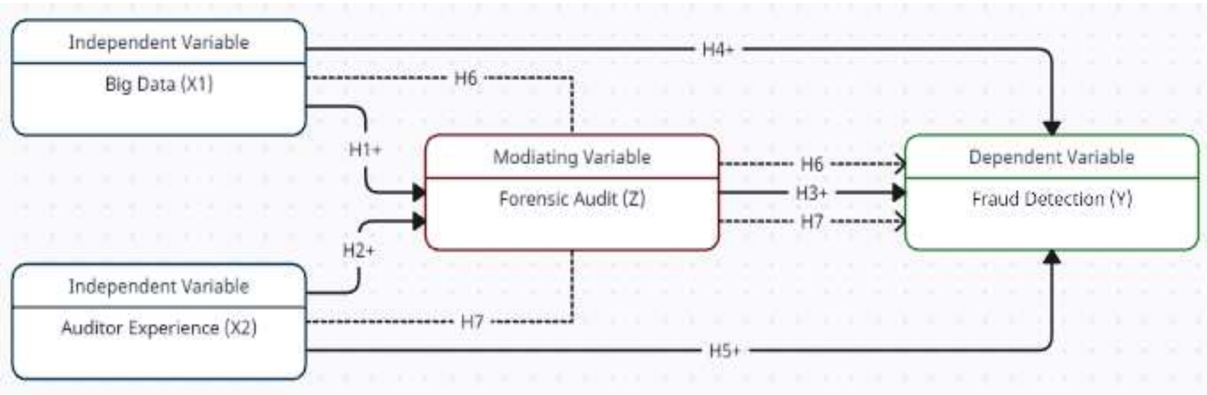

Fig 1 Research Framework
Source: Data Processed by the Researcher, 2024

RESEARCH METHODS

This study employs a quantitative research approach. The population consists of government auditors in Indonesia's Audit Board, the Financial and Development Supervisory Agency, the Financial Services Authority, and the Inspectorate General of the Riau Islands

Regency. Data was collected through a direct survey by distributing questionnaires to the respondents. The data collected includes responses from 157 government auditors.

The research variables consist of two independent variables: Big Data and auditor experience; one dependent variable, fraud detection; and one mediating variable, forensic audit. Big Data is measured by capability, knowledge, and role in Big Data (Rahman, 2023), Auditor experience is assessed by tenure as an auditor and the volume of audit assignments (Siregar, 2021). Fraud detection is measured by the level of implementation and regulatory violations (Sembiring & Widuri, 2023). Meanwhile, forensic audit is measured by auditor competence, forensic audit skills, and auditor neutrality (Syahputra & Afnan, 2020).

The questions in this questionnaire were adapted and developed based on relevant previous research. Questions regarding Big Data were sourced from (Rahman, 2023). Additionally, questions on auditor experience were drawn from (Siregar, 2021). Fraud detection items were taken from (Mislya, 2019) as were the questions regarding forensic audit.

This study employs the Partial Least Squares Structural Equation Modeling (PLS-SEM) method using Smart-PLS 3 software. Respondents provided answers on a 5-point Likert scale, ranging from strongly disagree (1) to agree (5) strongly. Data were collected through online questionnaires and direct surveys. The study aims to test hypotheses regarding the impact of Big Data and auditor experience on fraud detection, with forensic audit as a mediating variable.

The measurement model (outer model) was tested for convergent validity, discriminant validity, and reliability. Convergent validity was evaluated through outer loading values and average variance extracted (AVE). An outer loading is considered valid if it exceeds 0.7, although values above 0.6 are also acceptable. The AVE must exceed 0.5 to meet the criteria for convergent validity. Discriminant validity was assessed using the Fornell-Larcker criterion, where the square root of the AVE for each construct should be greater than the correlations among constructs. Reliability was examined by measuring composite reliability, with a threshold of >0.70, and Cronbach's alpha, also set at >0.70 (Sarstedt et al., 2021).

In the structural model (Inner Model), relationships among latent variables, significance, and the R-square value of the research model were established. The structural model was evaluated by examining the R^2 value of the dependent variable, path coefficients (direct effects), path coefficients (indirect effects), and hypothesis testing, which involved observing P-values and t-tests to identify relationships between dependent and independent variables. The guideline used is a t-statistic >1.67 for one-tailed hypotheses with a significance level or P-value of 0.05 (5%) (Sarstedt et al., 2021).

RESULTS AND DISCUSSION

Before distributing the questionnaire, a pilot test was conducted with 30 student respondents, confirming the questionnaire's validity. A total of 157 completed and analyzable questionnaires were collected for this study. Most respondents were female auditors, totaling 87, while male auditors numbered 70. Most respondents were junior auditors with less than five years of experience (86 respondents), while the remaining 71 were senior auditors with more than five years of experience. Additionally, most respondents held a bachelor's degree or equivalent (149 respondents). Most respondents (92) had not received specific training in fraud detection.

Table 1. Outer Loading Values and Convergent Validity

Variable	Indicator	Outer Loadings	Result	AVE	Result
Big Data (BG)	BG2	0,793	Valid	0,609	Valid
	BG3	0,752	Valid		

	BG4	0,843	Valid		
	BG5	0,850	Valid		
	BG6	0,695	Valid		
	BG7	0,737	Valid		
Auditor Experience (PA)	PA1	0,843	Valid	0,631	Valid
	PA2	0,863	Valid		
	PA3	0,783	Valid		
	PA4	0,766	Valid		
	PA5	0,707	Valid		
Fraud Detection (FD)	FD3	0,792	Valid	0,660	Valid
	FD4	0,886	Valid		
	FD5	0,752	Valid		
Forensic Audit (AF)	AF2	0,738	Valid	0,668	Valid
	AF5	0,902	Valid		
	AF6	0,866	Valid		
	AF7	0,749	Valid		

Source: Data Processed by the Researcher, 2024

Results of Outer Loading and Convergent Validity Testing: some outer loading values were discarded as they were <0.6, to ensure that the outer loading factors met the standard threshold of >0.6. The level of convergence, indicated by an AVE value >0.5, meets the criteria for good convergent validity.

Table 2. Discriminant Validity Test Values

	AF	BG	FD	PA
Forensic Audit (AF)	**0,817**			
Big Data (BG)	0,469	**0,780**		
Fraud Detection (FD)	0,341	0,480	**0,812**	
Auditor Experience (PA)	0,493	0,539	0,506	**0,794**

Source: Data Processed by the Researcher, 2024

The discriminant validity test using the Fornell-Larcker criterion found that the square root of the AVE for each variable is greater than the correlation with other latent variables. These results indicate that the variables' discriminant validity is met.

Table 3. Reliability Test Values

	Cronbach's Alpha	Composite Reliability	Result
Forensic Audit (AF)	0,834	0,889	Reliable
Big Data (BG)	0,871	0,903	Reliable
Fraud Detection (FD)	0,746	0,853	Reliable
Auditor Experience (PA)	0,853	0,895	Reliable

Source: Data Processed by the Researcher, 2024

The reliability test results show that the variables' reliability level is acceptable, as indicated by Cronbach's Alpha and Composite Reliability values above 0.7, which suggests the variables are reliable. Based on the reliability test results, it can be concluded that the variables' internal consistency is met in measuring the respective constructs.

Table 4. R-square Test Values

	R-Squares
Forensic Audit	0,301
Fraud Detection	0,318

Source: Data Processed by the Researcher, 2024

Based on Table 4, the R-square value for forensic Audit is 30.1%, and for fraud detection, it is 31.8%. These results indicate that the independent variables, namely Big Data and auditor experience, explain 30.1% of the variance in the forensic audit variable. This means other variables outside the model explain the remaining 69.9% influence. Similarly, Big Data and auditor experience account for 31.8% of the variance in the fraud detection variable, with the remaining 68.2% of the influence explained by variables not included in the model.

Table 5. Hypothesis Result (Direct Effect)

Hypothesis	Original Sample	T-Statistics	P-Value	Result
Big Data -> Forensic Audit (H_1)	0,286	1,805	0,036	Accepted
Auditor Experience -> Forensic Audit (H_2)	0,340	2,214	0,013	Accepted
Forensic Audit -> Fraud Detection (H_3)	0,045	0,329	0,371	Rejected
Big Data -> Fraud Detection (H_4)	0,280	1,689	0,046	Accepted
Auditor Experience -> Fraud Detection (H_5)	0,333	2,019	0,022	Accepted

Source: Data Processed by the Researcher, 2024

The guidelines used are a t-statistic >1.67 for one-tailed hypotheses with a significance level or P-value <0.05 (5%) and a positive direction. The analysis in Table 6 shows that Big Data has a positive and significant effect on forensic Audit, with a t-statistic of 1.805 > 1.67 and a significant value of 0.036 < 0.05. This analysis also indicates that Big Data has a positive and significant effect on fraud detection, with a t-statistic of 1.689 > 1.67 and a significant value of 0.046 < 0.05. Auditor experience also has a positive and significant effect on forensic Audit, with a t-statistic of 2.214 > 1.67 and a significant value of 0.013 < 0.05. Auditor experience positively and significantly affects fraud detection, with a t-statistic of 2.019 > 1.67 and a significant value of 0.022 < 0.05. Meanwhile, forensic Audit has a positive but insignificant effect on fraud detection, as shown by the parameter coefficient of 0.045, a t-statistic of 0.329 < 1.67, and a significant value of 0.371 > 0.05. Therefore, H_1, H_2, H_4, and H_5 are accepted, while H_3 is rejected.

Table 6. Path Coefficients (Indirect Effect)

Hypothesis	Original Sample	T-Statistics	P-Value	Result
Big Data -> Forensic Audit -> *Fraud Detection*	0,013	0,247	0,403	Rejected
Auditor Experience -> Forensic Audit -> *Fraud Detection*	0,015	0,301	0,382	Rejected

Source: Data Processed by the Researcher, 2024

The analysis results from Table 6 indicate that the sixth hypothesis, which states that forensic audit mediates the effect of Big Data on fraud detection, is rejected, as the t-statistic is 0.247 < 1.67. The significance value is 0.403 > 0.05. Similarly, the seventh hypothesis, which

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posits that forensic audit mediates the effect of auditor experience on fraud detection, is also rejected due to the t-statistic of $0.301 < 1.67$ and the P-value of $0.382 > 0.05$.

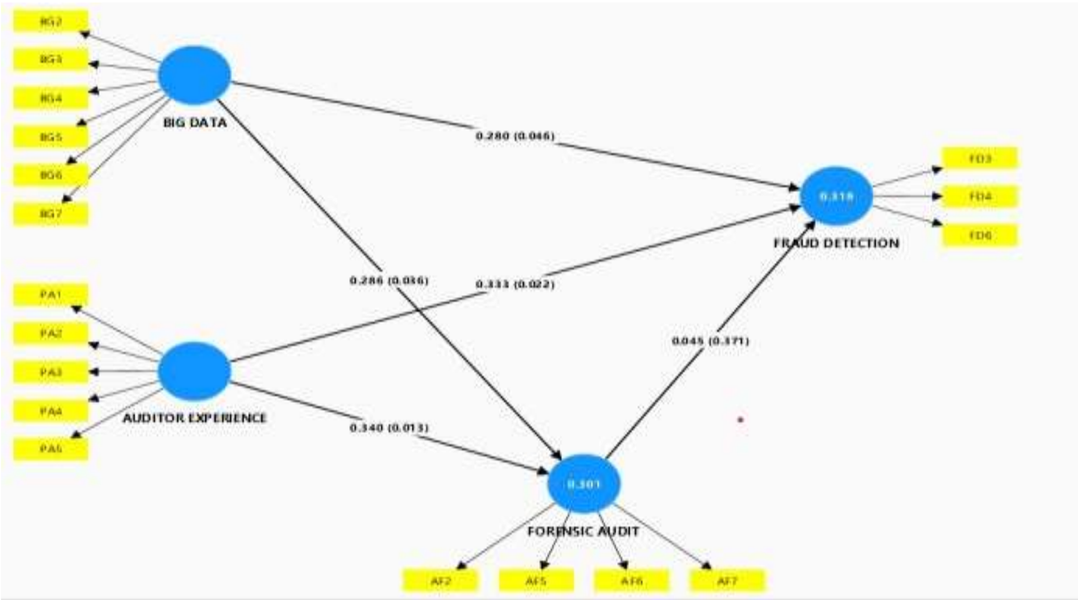

Fig 2. Bootstrapping Result
Source: Data Processed by the Researcher, 2024

Discussion

The analysis results indicate that Big Data has a positive and significant effect on forensic audit (H_1), meaning that, according to auditors' opinions, Big Data can enhance the effectiveness of forensic audits by facilitating the analysis of large and diverse datasets and increasing the speed of the audit process. This finding supports previous studies, which have shown that Big Data has a positive and significant impact on forensic audits (Sembiring & Widuri, 2023); (Syahputra & Afnan, 2020); (Handoko & Rosita, 2022); (Surono, 2023). Similarly, auditor experience has a positive and significant effect on forensic audit (H_2), this means that forensic auditing necessitates investigative experience to deliver insights that can support administrative, civil, or criminal proceedings. This finding is consistent with prior research, which found that auditor experience positively influences forensic audits (Sembiring & Widuri, 2023).

The statistical data indicate that forensic Audits do not significantly affect fraud detection (H_3), suggesting they are ineffective in fraud detection. Based on the respondents' demographic data, 92 auditors needed forensic audit training and certification, while only 40 held such certification. The lack of forensic audit expertise and experience, along with limited resources and a focus on compliance audits and performance, hinder the effectiveness of the forensic audit process. Furthermore, forensic audits typically require specific requests or occur once fraud has been detected rather than being part of the routine audit process. Therefore, forensic audits are crucial for investigating cases of fraud that have already occurred, but they cannot always support the fraud detection process. This finding is aligned with the research by (Pratiwi, Surya, & Djefris, 2023), which states that forensic audits do not significantly affect fraud detection.

The hypothesis testing on Big Data shows a positive and significant effect on fraud detection (H_4). Big Data enables faster fraud identification in today’s technological era. By maximizing the use of Big Data, the effectiveness of fraud detection can be enhanced. Previous studies have also confirmed that Big Data positively influences fraud detection (Pratiwi, Surya,

& Djefris, 2023); (Syahputra & Afnan, 2020); (Handoko & Rosita, 2022); (Bandiyono, 2023); (Surono, 2023).

This study demonstrates that auditor experience positively and significantly influences fraud detection (H_5). In other words, more experienced auditors are likely to be more skilled at managing themselves and audit activities, making fraud detection easier. The level of experience also affects the auditor's responsibility in fraud detection. The results of this study are consistent with research conducted b (Sembiring & Widuri, 2023); (Mannan et al., 2020); (Rahmawati et al., 2021); (Rafnes & Primasari, 2020); (Dewi Kusuma et al., 2021); (Wahyudi & Qintharah, 2023); (Welly et al., 2022); (Laloan et al., 2021).

The statistical results regarding forensic audit mediating the effect of Big Data on fraud detection (H_6) were rejected. Forensic Audits cannot mediate the effect of big data on fraud detection. The analysis results highlight the need for future auditors to possess broader skills, including a deep understanding of Big Data and proficiency in forensic auditing. Therefore, future audits will require professionals with solid accounting knowledge and the ability to leverage technologies like Big Data and master forensic audit techniques to address increasingly complex fraud challenges. This finding supports the research by (Sembiring & Widuri, 2023) which concluded that forensic audits cannot mediate the effect of Big Data on fraud detection.

The results also show that forensic Audits do not mediate the effect of auditor experience on fraud detection (H_7). Many auditors in this study had less than five years of experience. Thus, the lack of experience in recognizing fraud patterns and practices, combined with insufficient forensic audit expertise to ensure proper investigative methodologies, may hinder the effectiveness of fraud detection. A combination of extensive auditor experience and in-depth forensic audit expertise enables better identification of fraud indicators that formal approaches might miss. While forensic auditing provides a robust framework, the auditor's experience remains a crucial factor in the effectiveness of fraud detection. This finding contradicts previous research, which states that forensic audits can mediate the effect of auditor experience on fraud detection (Sembiring & Widuri, 2023).

This study supports agency theory, explaining that behaviors leading to fraud can stem from decision-making processes (Sembiring & Widuri, 2023). Auditor experience and Big Data are considered personal characteristics influencing audit decision-making in fraud detection. Forensic audit is seen as a factor that reduces the potential for fraud, thus strengthening auditors' ability to identify and prevent fraudulent actions.

CONCLUSIONS AND SUGGESTION

Based on the discussion, seven hypotheses were put forward, four accepted and three rejected. The research findings reveal that auditor experience and Big Data play a positive and significant role in enhancing fraud detection. Notably, both auditor experience and Big Data show a meaningful and impactful influence on forensic auditing. However, the findings also highlight that forensic auditing does not directly impact fraud detection.

The findings of this study indicate that forensic Audits do not serve as a mediator between big data and fraud detection, nor do they mediate the effect of auditor experience on fraud detection. Practically, this study highlights the importance of these factors in addressing the challenges posed by large data volumes in the current digital era during the fraud detection process. Theoretically, the findings support the development of agency theory by providing a deeper understanding of auditor experience, the application of Big Data, and the role of forensic Audit in fraud detection. A fundamental limitation of this study lies in its focus on a sample drawn exclusively from government auditors in the Riau Island Regency, including those from

Indonesia's Audit Board, the Financial and Development Supervisory Agency, the Financial Services Authority, and the Inspectorate General. Therefore, the results of this research cannot be directly applied to a broader population.

Future research should expand the sample by involving auditors from various professional backgrounds, such as independent and internal auditors. Subsequent studies could broaden the scope of variables to understand better the correlation between forensic audit and fraud detection, including adding variables such as investigative auditing. Overall, this study found that auditor experience, which includes an understanding of Big Data and expertise in forensic auditing, plays a crucial role in enhancing the effectiveness of fraud detection.

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THE EFFECT OF IMPLEMENTING E-PROCUREMENT AND INTERNAL CONTROL ON PREVENTION *FRAUD* PROCUREMENT OF GOODS AND SERVICES IN BENGKULU GOVERNMENT AGENCY WITH MODERATION OF ORGANIZATIONAL ETHICAL CULTURE

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ABSTRACT

This study aims to examine the effect of the application of e-procurement and internal control on the prevention of fraud in the procurement of goods and services in Bengkulu government agencies moderated by organizational ethical culture. The population of this study is the Goods and Services Procurement Work Unit of Bengkulu City and Province, using the total sampling or census method, where the entire population is taken as a sample. This research uses a quantitative approach by collecting primary data using a questionnaire distributed to 33 respondents. The data analysis technique uses census/total sampling. This research was tested using the Moderate Regression Analysis (MRA) test with the SPSS 25 for windows program.

The results showed that (1) e-procurement has a positive effect on fraud prevention in the procurement of goods and services, (2) internal control has a positive effect on fraud prevention in the procurement of goods and services, (3) organizational ethical culture can moderate the relationship between e-procurement and government procurement of goods and services, (4) organizational ethical culture is unable to moderate the relationship between internal control and fraud prevention in the procurement of goods and services. This research can be used as input for employees at the good and services procurement work units in the city and province of Bengkulu to get how the influence implementing E-procurement, internal control and organizational ethical culture so that it will improve employees performance and organizational goals can be achieved properly.

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INTRODUCTION

Practice *fraud* (fraud) is a form of fraudulent action carried out consciously to gain benefits for an individual or group that is illegal and violates applicable regulations and laws. Practice *fraud* occurs in the private, public and government sectors which is certainly detrimental to society and the State. ACFE in (Kennedy & Siregar, 2017) explains that there are three categories *fraud* in an organization, namely misusing an asset (*asset misappropriation*), corruption *(corruption),* or falsifying statements (*fraudulent statements*).

Government procurement of goods and services is a purchasing activity carried out by the government to obtain goods/services and this activity has an important role in the success of national development in the context of improving public services, both central and regional. The large budget disbursed by the government in the goods and services procurement sector has become an easy target for parties who want profits so they carry out *fraud*. The Corruption Eradication Commission (KPK) is highlighting the procurement of goods and services in the Bengkulu Provincial Government (Pemprov) area because this sector is prone to corruption cases. This is evident from the fact that 21% of corruption cases in Indonesia occur in the goods/services procurement sector and have been handled by the Corruption Eradication Committee from 2004 to 2022. Problems in the procurement of goods and services in Bengkulu City in the results of the BPK audit explained that there were corrupt practices in the procurement of fire extinguishers which had harmed the State. As a result of the actions of the Defendants (Sugiarto and Yanuar) who won PT Adi Reka Tama based on a discriminatory and non-objective assessment so that certain engineering had occurred which prevented healthy competition in the procurement of goods/services (Keudakemendagri, 2016). Therefore, judging from the large number of corruption cases that occur in the government sector in the field of procurement of goods and services, this indicates non-compliance and inconsistency in the application of statutory regulations, weak internal control, and poor implementation of ethics in organizations/ministries/institutions. These are the things that can open up opportunities/opportunities for the perpetrator to do it *fraud*.

According to (Dewi, 2018) E-procurement is a procurement process that electronically manages all procurement activities including purchasing requests, authorization, ordering, delivery and payment between buyers and suppliers. E-procurement is used as a replacement for manual or conventional systems due to demands for transparency from the public in obtaining information regarding the procurement of government goods and services. The implementation of E-procurement makes the process of procuring goods and services more efficient, effective, accountable and transparent so that good relationships between users and service providers can be realized, and it becomes easier for the public to obtain information and improve control over various irregularities. (Akbar et al., 2019) also stated that E-procurement not only functions to increase transparency but also increases effectiveness regarding the available budget allocation to support the process of implementing the procurement of goods and services.

This is in line with research results (Utami & Indrijawati, 2020; Septiawan & Ningsih, 2020) showing that the existence of E-procurement is very influential in realizing goods and services procurement activities that are free from the risk of KKN. The next factor that influences prevention *fraud* procurement of goods and services, namely internal control. (Tuanakotta, 2019) Internal control is a process designed, implemented and maintained by management and other employees to provide adequate assurance regarding the achievement of the entity's objectives regarding the reliability of financial reporting, effective and efficient operations and compliance with laws and statutory provisions. The elements of internal control include the control environment, risk assessment, control activities, information and communication, internal control monitoring. Internal control has an important relationship and role in prevention *fraud* procurement of goods and services in government agencies. Because, with good internal control in the organization, all forms of opportunities for someone to commit acts of corruption can be suppressed/minimized with strict and comprehensive standards and supervision of all parties involved in the procurement of goods and services (Septiawan & Ningsih, 2020). This is in line with research conducted (Herawaty & Hernando, 2021) which states that internal control does not have a significant effect due to a lack of supervision in the organization.

Another factor that prevents fraud is the ethical culture of the organization. According to (Sari, 2018) an organization's ethical culture is a system of values, norms and beliefs that are shared by each member of the organization which then influences the way the members of the organization work and behave in order to create good and ethical behavior, and avoid actions that can be detrimental to the organization. The function of organizational culture is as a limit to the behavior of individuals within a company (Rosliana, 2018). Having values firmly embedded in an organization can increase efficiency and make it easier for organizational members to achieve their expected goals. The ethical culture implemented in an organization greatly influences internal control and the implementation of E-procurement in the procurement of goods and services in government agencies. This is because the culture within the organization is embedded with cultural values, norms and moral principles that prioritize high levels of honesty and responsibility of employees in interacting when operating and making decisions so that there is a lower chance of committing fraud (*fraud*) when procuring goods and services. This is in line with research (Akbar et al., 2019) and (Biduri et al., 2020) showing that an organization's ethical culture is proven to be able to moderate or strengthen the relationship between E-procurement and internal control on prevention. *fraud* procurement of goods and services is an organizational ethical culture variable.

Prevention *fraud* is an effort, action or policy implemented to reduce factors that are at risk of causing a problem *fraud*, namely reducing the opportunity for fraud to occur. Pope in (Faisol et al., 2014) explains prevention *fraud* among others, strengthening the legal framework with written policies, transparent procurement procedures through the use of technology and open announcements, evaluation of bids, delegation of authority and independent inspections and audits

Theory *fraud hexagon* is a theory developed by (Vousinas, 2019) which adds one causal element *fraud* namely collusion. This theory explains that fraud in organizations can occur due to six elements, namely pressure (stimulus) for someone to commit fraud, both in the organization and in individual life, which can be monetary or non-monetary. Second is rationalization which is a justification for certain actions and thought patterns behind the perpetrator's fraudulent activities. Third is opportunity, which arises when the controls implemented are weak and there is less risk to carry out *fraud*. The fourth element is competence which can emerge because the perpetrator has a big role in being able to commit fraud. The fifth element is arrogance, which is the attitude of the perpetrator who feels entitled or greedy and believes that internal controls do not apply to the perpetrator. The final element is collusion which is an agreement between individuals or more people to achieve something of a criminal nature.

E-procurement Against Prevention *Fraud* Procurement of Government Goods and Services

E-procurement is an electronic procurement process which is an option offered to minimize the risk of corruption in the procurement of goods and services, one of which is to create transparency. By minimizing the frequency of face-to-face meetings with e-procurement, direct communication can be avoided, because direct communication will create attempts at extortion, bribery, or agreements that benefit certain parties.

Based on theory *fraud* hexagon, *fraud* (fraud) can occur because of opportunities and collusion for perpetrators to commit fraud. Poor management systems and verbal communication can also trigger collusion, bribery, extortion which benefits several parties and harms innocent parties. Therefore, with the existence of E-procurement, direct contact can be minimized, then transparency and quality of administration can be increased, as well as being able to prevent the occurrence of *fraud* so that government procurement of goods and services becomes effective and efficient. Research conducted (Dewi, 2018) states that E-procurement plays an important role in preventing *fraud* at the West Kalimantan Province Development and Procurement of Goods and Services Administration Bureau.

H1: E-procurement has a positive effect on prevention *fraud* procurement of government goods and services.

Internal Control of Prevention *Fraud* Procurement of goods and services

Internal control plays a very important role in reducing opportunities for fraud to occur. Research (Hadi et al., 2021) prove that internal control *(internal control)* have close ties and play an important role in fraud prevention efforts *(fraud)* in the procurement of goods and/or services. The better the implementation of internal control in an organization, the lower the level of occurrence tends to be *fraud* in the procurement sector carried out by the government The results of research by Hadi et al., (2021) are in line with theory *fraud hexagon* which states one of the factors *fraud* can occur when there is an opportunity for the perpetrator to commit fraud (*fraud*). Opportunities, opportunities and abilities of employees to perform *fraud* which arises due to weak supervision within an organization. So good internal control is needed to increase caution and detect early all forms of behavior that could lead to fraud.

H2: Internal Control (*internal control)* positive effect on prevention *fraud* procurement of government goods and/or services

The influence of organizational ethical culture can moderate the relationship between e-procurement and government procurement of goods and/or services.

An organization's organizational culture is a pattern of beliefs and values (*values*) organization that is understood, imbued and practiced by the organization, so that this pattern gives its own meaning and becomes the basis for rules of behavior in the organization. In line with theory *fraud* hexagon which explains that *fraud* in the procurement of goods and services can occur because poor management of the goods and services procurement system can create greater opportunities for perpetrators to commit fraud. With the addition of collusion, namely an agreement between individuals or individuals and a group that causes this to happen *fraud*. So with the creation of E-procurement, it is a solution to minimize the occurrence of fraud in the goods and services procurement system, also accompanied by an honest, open and responsible ethical culture that can prevent this from happening. *fraud* in the procurement of goods and services. Research (Akbar et al., 2019; Biduri et al., 2020) shows that the organizational ethical culture variable is a variable that can moderate the relationship between E-procurement and prevention. *fraud*. The research proves that maintaining a culture of honesty and discipline can help the system become stronger.

H3: The ethical culture of the organization is able to moderate the relationship between E-procurement and prevention *fraud* procurement of government goods and services.

The Influence of Organizational Ethical Culture on the Relationship Between Internal Control and Government Procurement of Goods/Services.

Active internal controls can usually prevent their occurrence *fraud*, which is the most widely implemented form of internal control. One of the factors that drives this occurrence *fraud* is due to weak internal control, with the existence of an ethical organizational culture it is hoped that it can ward off actions that can trigger losses for the organization. Through the creation of an ethical or honest culture, openness and eliminating opportunities for fraud can be prevented *fraud*.

Based on theory *fraud* the hexagon that expresses *fraud* can occur when there is an opportunity for the perpetrator to commit fraud (*fraud*) was created due to the poor level of internal control carried out by the government. Internal control can also be influenced by the ethical culture of the organization. Because if it is accompanied by a culture of honesty, openness, responsibility and a sufficient nature, it can increase the effectiveness of internal control to minimize the incidence of fraudulent factors in government procurement of goods and services. Research (Akbar et al., 2019; Biduri et al., 2020) shows that the organizational ethical culture variable is a variable that can moderate the relationship between internal control and prevention. *fraud*. This proves that maintaining an honest and ethical culture can increase the effectiveness of the control system in monitoring and suppressing the occurrence of deviant behavior in procurement activities.

H4 : An organization's ethical culture can moderate the relationship between internal control and prevention *fraud* procurement of government goods and services.

RESEARCH METHODS

The population in this study was UKPBJ of Bengkulu City and Province, using a sampling technique using the census method. This research took 9 respondents from the Working Group/Procurement Officials appointed to carry out direct procurement at the City Goods and Services Procurement Work Unit (UKPBJ) office and 24 UKPBJ Procurement Officials from Bengkulu Province. This research uses a quantitative approach, the data collection method in this research uses primary data obtained from the results of distributing questionnaires to 33 respondents. The questionnaire statements distributed to respondents were prepared using a Likert scale ranging from 1-5. The data analysis technique uses multiple linear regression analysis with the help of the SPSS 25 program.

RESULTS AND DISCUSSION

Statistik Dekstiptif

No	Variable	N	Theoretical Range			Actual Range			Standard. देव
			Min	Max	Mean	Min	Max	Mean	
1	*E-Procurement*	33	9	45	27	18	45	35,12	8,964
2	Internal Control	33	11	55	33	22	55	44,82	7,047
3	Organizational ethical culture	33	6	30	18	12	30	23,64	3,959
4	Prevention *fraud* Procurement of goods and services	33	4	20	12	9	20	16,64	3,399
Valid N (listwise)		33							

Data Quality Test Results

Validity Test Results

No	Variable	R-Table	Correlation	Say.	Information

1	*E-Procurement* (X1)	0,3440	0,980	0,000	Valid
2	Internal Control (X2)	0,3440	0,796	0,000	Valid
3	Organizational Ethical Culture (Z)	0,3440	0,793	0,000	Valid
4	Prevention *Fraud* Procurement of Goods and Services (Y)	0,3440	0,973	0,000	Valid

Based on the table above, it shows that all statements have a significance value below 0.05 and the Pearson correlation r-calculation is greater than the r-table, namely 0.3440. Shows that all the Pearson validity test criteria have been met.

Reliability Test Results

No	Variable	Number of Statements	Cronbach's Alpha	Information
1	*E-Procurement*	9	0,989	Reliable
2	Internal Control	11	0,972	Reliable
3	Organizational Ethical Culture	6	0.940	Reliable
4	Prevention *Fraud* Procurement of goods and services	4	0,982	Reliable

Results of statistical processing *Cronbach Alpha* can be seen in the table above. Shows results *Coefficient Cronbach Alpha* all research variables are greater than 0.70, which means that the statement of each research variable is reliable.

Classic Assumption Test Results

Normality Test Results

Equality	Variable	Asymp. Sig. (2-tailed)	Informati on
1	*E-Procurement* Internal Control	0,200	Normal
2	*E-Procurement* E-Procurement and Organizational Ethical Culture	0,200	Normal
3	Internal Control Internal Control and Organizational Ethical Culture	0,117	Normal

Based on the results of normality testing using One Sample Kolmogorov-Smirnov, it can be seen that the significant residual values for models 1, 2 and 3 in this study each have values greater than 0.05. So it proves that the residual data is normally distributed and can be used for further testing.

Multicollinearity Test Results

Equality	Variable	*Collinearity Statistics*		Information
		Tolerance	VIF	
1	*E-Procurement* Internal Control	0,974 0,974	1,027 1,027	Multicollinearity Free
2	*E-Procurement* E-Procurement and Organizational Ethical Culture	0,329 0,329	3,041 3,041	Multicollinearity Free
3	Internal Control	0,237 0,237	4,221 4,221	Multicollinearity Free

	Internal Control and Organizational Ethical Culture		

In the table above, it can be seen that the tolerance value for each equation 1,2 and 3 is greater than 0.10 and has a VIF value <10, so it can be concluded that there are no symptoms of multicollinearity in this research model.

Heteroscedasticity Test Results

Equality	Variabel	Say.	Information
1	*E-Procurement* Internal Control	0,214 0,544	Heteroscedasticity Free
2	*E-Procurement* *E-Procurement* and Organizational Ethical Culture	0,278 0,105	Heteroscedasticity Free
3	Internal Control Internal Control and Organizational Ethical Culture	0,228 0,242	Heteroscedasticity Free

Based on table 4.8, it proves that there is no heteroscedasticity in the regression model, this can be seen from all the independent variables, namely E-Procurement, internal control and the moderating variable ethical organizational culture with a significant probability value above 0.05.

Hypothesis Test Results

Variable	Beta	t	Say.
E-Procurement	0,333	2,100	0,044
Internal Control	0,451	2,841	0,008
Organizational ethical culture	0,287	1,388	0,176
E-Procurement and Organizational Ethical Culture	0,859	3,247	0,003
Internal Control and Organizational Ethical Culture	0,154	0,449	0,657

The first hypothesis states that E-procurement has a positive effect on prevention *fraud* procurement of government goods and services. Based on the t test in the table above, it shows that the E-Procurement variable is known to have a significance level of 0.044 < of $\alpha = 0.05$, which shows that in this study E-Procurement as an independent variable influences the dependent variable. Meanwhile, the regression coefficient (β) is 0.333 and the calculated t value is 2.100, which shows a positive relationship, in other words, the better e-procurement, the greater the prevention. *fraud* procurement of goods and services is increasing. So the first hypothesis is concluded **accepted**.

The second hypothesis states that internal control (*internal control)* positive effect on prevention *fraud* procurement of government goods and/or services. Based on the t test in the table above, it shows that the internal control variable has a significance t of 0.008 <0.05, which shows that internal control as an independent variable can influence the dependent variable. The regression coefficient (β) is 0.451 and the t count is 2.841, which shows a positive direction towards prevention. *fraud* procurement of goods and services in other words the second hypothesis **accepted**.

The third hypothesis states that the ethical culture of the organization is able to moderate the relationship between E-procurement and prevention *fraud* procurement of government goods and services. The table above shows that the interaction between the E-Procurement variables and the ethical culture of the organization has a significance t of 0.003 <0.05, which shows that the ethical culture of the organization as a moderating variable can moderate the relationship between the independent variable and the dependent variable. So the third hypothesis is concluded **accepted**.

The fourth hypothesis, in the table above shows a significance level of t of 0.657 > from α = 0.05, meaning that the ethical culture of the organization is a moderating variable that cannot strengthen internal control and prevention. *fraud* procurement of goods and services so that the fourth hypothesis (H4) **rejected.**

By rejecting H4, the ethical culture of the organization is unable to moderate the internal control relationship with prevention *fraud* procurement of goods and services so that the ethical culture of the organization cannot be used as a moderating variable. Next, the researcher tried to make the organizational ethical culture system variable an independent variable. Based on the table above, the organizational ethical culture variable is an independent variable, it is known that the coefficient value is 0.287 and the calculated t is 1.388 with a significance level of t of 0.176 from a = 0.05 so that the internal control system as an independent variable is declared rejected, with these results proving that the use of the organizational ethical culture variable is included in the category *Homologiser Moderator* (potential moderation).

DISCUSSION

E-procurement Against Prevention *Fraud* Procurement of Government Goods and Services

The results of this research are in line with Theory *fraud hexagon* that explains *fraud* Procurement of goods and services can occur due to someone's ability to commit fraud, pressure, opportunity, collusion and weak control. Therefore, the creation of E-procurement is able to reduce the opportunity to do so *fraud* is reduced because with the existence of E-procurement, an electronic procurement system that is documented and monitored automatically, the opportunity to manipulate data or arrange tenders becomes more difficult. Ability to do *fraud* limited because the system has security, user authentication, and activity tracking features. Only authorized parties can access and modify data and reduce the risk of misuse. Collusion that will occur can be reduced by existing *E-procurement* because this system minimizes direct contact between providers and procurement parties.

Test results regarding influence *E-procurement* towards prevention *fraud* government procurement of goods and services shows that E-procurement has a positive effect on prevention *fraud* procurement of government goods and services. This is in line with research conducted (Akbar et al., 2019; Utami & Indrijawati, 2020; Septiawan & Ningsih, 2020) which shows that *E-procurement* influence on prevention *fraud* procurement of government goods and services.

Internal Control of Prevention *Fraud* Procurement of goods and services

These results are in line with theory *fraud* hexagon which explains that *fraud* occurs because of pressure, ability, opportunity, awareness of collusion and ego. Internal controls can help reduce stress through an organization's SOP policies, minimizing the chances of it occurring *fraud*, eliminating rationalization, implementing transparency rules can prevent collusion, and can detect and control arrogant behavior

Test results regarding the effect of internal control on prevention *fraud* procurement of goods and services shows that internal control has a positive effect on prevention *fraud* procurement of goods and services. This is in line with research (Akbar et al., 2019; Romaissah et al., 2019; Septiawan & Ningsih, 2020) which proves that internal control (*internal control*) has a close relationship and plays an important role in efforts to prevent fraud (*fraud*) in the procurement of goods and services. Internal control and strict supervision of each employee are expected to be able to control the organization in achieving its goals without fraud.

Organizational Ethical Culture Can Moderate the Relationship Between E-Procurement and Prevention *Fraud* Procurement of Government Goods and Services

The research results are in line with theory *fraud hexagon* which explains that an organization's ethical culture is able to increase prevention in combating *fraud* that can occur in an organization. The creation of E-procurement as a form of technological development is a solution to minimize the occurrence of fraud by providing transparent and accountable information regarding the procurement of goods and services. Then the existence of an ethical organizational culture ensures that the system *E-procurement* It is used with integrity and responsibility and places greater emphasis on business goals and targets. *E-procurement* become more likely to be directed in a legitimate and transparent manner. Good ethics help create a balance between achieving goals and adhering to proper procedures.

The research results obtained are in line with research by Akbar et al. (2019) and Biduri et al. (2020) which shows that an organization's ethical culture can moderate the relationship between *E-procurement* towards prevention *fraud*.

Organizational Ethical Culture Can Moderate the Relationship Between Internal Control and Prevention *Fraud* Procurement of Government Goods and Services

The results of hypothesis testing show that the organizational ethical culture variable is unable to moderate the relationship between internal control and prevention *fraud* in the procurement of goods and services. This could be because the internal controls implemented are quite strong and independently effective, hence their effect on prevention *fraud* will be more significant, although the ethical culture of the organization does not play a strong moderating role as evidenced by its lower regression value (β). The ethical culture of the organization has a role as a supporter of prevention *fraud* can be achieved even if ethical culture does not play a significant role. An ethical culture that is only seen as symbolic without real implementation and is not firmly controlled, its impact on employee behavior and the effectiveness of internal control is weak, so it is not strong enough to influence the relationship between internal control and prevention. *fraud*.

Thus, the results of this study do not support the initial hypothesis which states that an organization's ethical culture is able to moderate the relationship between internal control and prevention *fraud* in the procurement of goods and services. The results of this research are also not in line with the hexagon theory *fraud* which states that a good ethical culture can increase the effectiveness of internal control to minimize the incidence of fraudulent procurement of goods and services in the government.

Conclusion

Based on the pelnelliltilan that has been done, it can be concluded that the following things are different, among the following things:

1. E-procurement has a positive effect on the prevention of *fraud* in the procurement of goods and services in Bengkulu Government agencies. This indicates that the better the implementation of E-procurement in UKPBJ agencies, the more it will increase the prevention of *fraud* of government goods and services.
2. Internal control has a positive effect on *fraud* prevention in the procurement of goods and services of the Bengkulu Government. This means that the higher the internal control owned, the more *fraud* can occur in the process of procurement of government goods and services.
3. The ethical culture of the organization has been proven to be able to moderate the relationship between E-procurement and the prevention of fraud of goods and services in Bengkulu Government agencies. The statement shows that the application of a good organizational ethical culture will create an ethical environment between agency members while on duty so as to reduce the space for individuals to commit fraud.
4. The ethical culture of the organization has proven to be unable to moderate the relationship between internal control over the prevention of fraud of goods and services in Bengkulu Government agencies.

Suggestion

Based on the results of the research, discussion and conclusion, there are several considerations in the research, so that the next research can consider the following suggestions, namely being able to use more detailed questions to reflect the indicators of fraud prevention in the procurement of goods and services on the questionnaire that will be distributed to provide a clearer and more detailed picture or explanation. Further research can use other additional independent variables such as organizational commitment and moderate-able variables in addition to the organization's ethical culture.

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The Interpretation of Organizational Culture and Internal Control in Preventing Fraud: A Case Study in the Bengkulu Provincial Government

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ABSTRACT

This study explores the factors contributing to fraud in the public sector through the lens of the Pentagon Theory and examines how organizational culture and internal control play a role in preventing fraud in government institutions. A qualitative approach with a case study method was employed, focusing on government agencies within the Bengkulu Provincial Government. Data were collected through in-depth interviews with employees and document analysis related to internal control systems. The findings reveal that weak organizational culture and ineffective implementation of internal controls are the primary factors that create opportunities for fraud. Additionally, pressure and rationalization within the bureaucratic environment further drive individuals to commit fraudulent acts. Moreover, the low expectation of punishment for fraud perpetrators exacerbates the situation and weakens existing prevention mechanisms. These findings reinforce the Pentagon Theory by highlighting the significant role of organizational culture in fraud prevention. Therefore, government institutions must strengthen integrity-based organizational culture and enhance the effectiveness of internal controls to mitigate fraud risks. This study emphasizes the interpretation of organizational culture within the context of the Pentagon Theory and underscores the critical role of internal control in fraud prevention in the public sector, particularly in local government environments

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Introduction

Fraud in government institutions remains a serious issue that threatens transparency, accountability, and the effectiveness of public service delivery. Fraud in the public sector can take various forms, including corruption, budget misuse, nepotism, and financial report manipulation (ACFE, 2022). The 2019 Indonesia Fraud Survey (ACFE, 2020) reported that corruption levels in Indonesia remain high, with the government sector being one of the most vulnerable to fraudulent practices. Fraud incidents also occur at the regional level, including in the Bengkulu Provincial Government. Throughout 2024, the Bengkulu High Prosecutor's Office (Kejati) handled 43 corruption cases, successfully recovering state funds amounting to IDR 6.5 billion (Tribun Bengkulu, 2024). These cases involved various schemes such as the misuse of regional budget funds (APBD), fictitious projects, and procurement fraud. The prevalence of fraud practices indicates that existing oversight systems have not been fully effective in preventing irregularities, highlighting the need for an in-depth study of the factors influencing the effectiveness of internal control and work culture in regional government environments.

One approach to understanding fraud prevention factors is to examine the role of work culture in shaping organizational behavior with greater integrity. A strong work culture reflects values such as honesty, responsibility, and transparency, which, when consistently applied, can reduce the likelihood of fraud (Maulidi & Ansell, 2020). Previous studies have shown that organizations with a robust, integrity-oriented work culture tend to be more effective in curbing fraudulent practices compared to those with a weak organizational culture (Zahari et al., 2021). In addition to work culture, internal control plays a crucial role in fraud prevention. The COSO (2013) ramework emphasizes that effective internal control should encompass five key components: control environment, risk assessment, control activities, information and communication, and monitoring. When these elements are optimally implemented, fraud risk can be minimized (Chan et al., 2021). However, various studies indicate that internal control in the public sector often faces challenges, such as weak oversight systems, lack of compliance with regulations, and resource limitations in policy implementation (Kalau & Leksair, 2020).

Fraud in the public sector has been widely examined in numerous studies, both nationally and internationally. This phenomenon is a major concern due to its significant impact on government efficiency, transparency, and accountability. Several previous studies have highlighted the factors contributing to fraud occurrences and prevention strategies, emphasizing the role of internal control and organizational culture as key elements in mitigating fraud risks. Research conducted by Shonhadji & Maulidi (2022) found that the effectiveness of internal control systems significantly determines the ability of public sector organizations to prevent fraudulent practices. This study emphasized that strengthening internal control not only serves as an administrative control mechanism but also as a tool to enhance transparency and accountability in governance. Similarly, Majid et al. (2022) discovered that strong internal control systems can detect and prevent fraud through stricter supervision and increased accountability among government employees. These findings align with the study conducted by Wardah et al. (2022), which underscored the importance of integrity-driven leadership in fostering an organizational culture that rejects fraudulent practices in government settings.

However, most previous studies have predominantly focused on the structural aspects of internal control, such as regulations and oversight policies, without delving deeply into how work culture factors within government organizations contribute to shaping anti-fraud behavior. Research by Masni & Sari (2023) highlighted the importance of an organizational culture perspective in understanding fraud prevention mechanisms in the public sector. Their study revealed that a work culture lacking support for transparency and accountability could undermine the effectiveness of internal control systems already in place. This indicates that even if an institution has a strong internal control system, the risk of fraud remains high if the organizational culture does not support integrity-driven governance practices.

In the Indonesian context, there is still a limited number of studies specifically analyzing how the interaction between work culture and internal control can prevent fraud in local government settings, representing a research gap that needs to be addressed. Most existing studies focus more on evaluating internal control systems or case studies on fraudulent practices without linking them to organizational culture dynamics. Therefore, this study aims to further explore the relationship between work culture and internal control in the context of fraud prevention, using a case study of the Bengkulu Provincial Government.

Using a qualitative approach, this research seeks to understand how work culture is perceived and implemented in fostering integrity and how the effectiveness of internal control reduces the likelihood of fraud. The findings from this study are expected to provide a more comprehensive insight into fraud prevention strategies in the public sector, particularly in local governments, and offer more contextual recommendations for policymakers in strengthening internal control systems and fostering an integrity-driven work culture.

Pentagon Theory

The Pentagon Theory was developed as an extension of the Fraud Triangle Theory, which was initially introduced by (Vousinas 2019). This theory explains that fraud occurs not only due to the three main factors-pressure, opportunity, and rationalization-but also due to two additional factors: competence and arrogance.

1. Pressure refers to external or internal conditions that drive individuals to commit fraud. This pressure may stem from financial needs, unrealistic work targets, or lifestyle demands.
2. Opportunity arises when there are weaknesses in the internal control system, allowing individuals to commit fraud without being easily detected.
3. Rationalization occurs when individuals justify fraudulent actions as acceptable, such as thinking, "everyone else is doing it" or "I'm just borrowing temporarily."
4. Competence reflects an individual's ability to exploit system weaknesses to commit fraud. The higher a person's competence, the greater their ability to identify loopholes in the system.
5. Arrogance represents a superior attitude in which individuals believe they are immune to legal and ethical consequences when committing fraud.

Empirical research shows that the factors in the Pentagon Theory have a significant relationship with the tendency for fraud to occur in organizations, including in the public sector (Rachman et al., 2023).

COSO Framework

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed the Enterprise Risk Management – Integrated Framework as a guideline for risk management and internal control. COSO states that effective internal control consists of five key components (COSO, 2013):

1. **Control Environment**
   The control environment includes ethical values, integrity, and corporate governance that support transparency and accountability. This factor is crucial as it forms the foundation of fraud risk management.
2. **Risk Assessment**
   Organizations must identify and analyze risks to understand potential fraud that may hinder goal achievement. In the public sector, risk assessment is crucial due to the potential for misappropriation of public funds.
3. **Control Activities**
   Control activities involve procedures and policies implemented to minimize fraud risks, such as segregation of duties, transaction approvals, and strict supervision of financial activities.
4. **Information and Communication**
   Accurate information and effective communication ensure that all organizational members understand internal control policies and fraud prevention mechanisms.
5. **Monitoring**
   Monitoring is conducted to continuously evaluate the effectiveness of the internal control system. This process includes internal and external audits to ensure compliance with anti-fraud policies.

Many studies confirm that comprehensive implementation of the COSO Framework can reduce fraud potential in both public and private organizations (Chan et al., 2021; Nawawi & Salin, 2018).

Organizational Culture Theory

In 1993, Edgar Schei (as cited in Calvin, 2015) proposed that organizational culture consists of three main levels:

1. **Artifacts** – Observable cultural aspects, such as policies, organizational structure, and codes of ethics.

2. **Espoused Values** – Principles that guide behavior within the organization, such as a commitment to transparency and accountability.
3. **Basic Assumptions** – Fundamental beliefs that shape how individuals think and act within the organization.

According to Schein, organizations with a strong work culture possess a value system that promotes integrity and ethics in decision-making, thus reducing the likelihood of fraud (Mulder, 2013). Research by Dharu & Wahidahwati (2021) indicates that an organizational culture that instills ethical values can enhance compliance with anti-fraud regulations.

Moreover, a work culture that supports whistleblowing is also a crucial factor in preventing and detecting fraud early (Arianto Bambang, 2022; Basri, 2022). A study by Okafor et al. (2020) found that public sector organizations with strong whistleblowing systems are more capable of identifying fraud cases compared to those without such mechanisms.

Previous Research on Work Culture, Internal Control, and Fraud in the Public Sector

Several previous studies have confirmed the relationship between work culture, internal control, and fraud in the public sector. Shonhadji & Maulidi (2022) found that weaknesses in internal control are one of the main factors causing corruption in government institutions.

A study conducted by Chan et al. (2021) showed that the implementation of internal control based on the COSO Framework can reduce financial irregularities in public sector organizations. Their findings indicate that organizations with stronger internal controls tend to have lower fraud levels.

Additionally, research by Zahari et al. (2021) revealed that organizations implementing an ethics-based work culture and transparency values have lower levels of abuse of authority than those with a more lenient work culture.

Based on previous studies, it can be concluded that a combination of a strong internal control system and an ethics-based organizational culture is essential in preventing and detecting fraud in the public sector.

RESEARCH METHODS

Research Approach

This study employs a qualitative case study approach to gain an in-depth understanding of the relationship between work culture, internal control, and fraud risk in the public sector. A case study approach was chosen as it allows for a comprehensive exploration of phenomena within real-life contexts (Sugiyono, 2016). This approach is also aligned with the research objective of exploring employees' subjective interpretations regarding the implementation of internal control and organizational culture in fraud prevention (Moleong, 2021).

Research Subjects

The research subjects consist of employees in government institutions involved in financial management and supervision, selected based on the following criteria:

1. Financial officers, responsible for budget planning and management.
2. Internal auditors, tasked with monitoring and evaluating the effectiveness of the internal control system.
3. Institutional leaders, who establish policies and strategies for financial governance and fraud control.

Subjects were selected using purposive sampling, a sampling technique based on specific considerations relevant to the research objectives (Moleong, 2021).

Data Sources and Informants

This study draws data from employees who have worked for more than ten years in various Regional Government Organizations (OPD) within the Bengkulu Provincial Government. Their extensive work experience enables them to provide deep insights into governance systems and fraud prevention challenges in Bengkulu. Informants were selected from various institutions, including the Regional Civil Service Agency (BKD), Bengkulu Provincial Inspectorate, Human Resource Development Agency (BPSDM), the Representative Office of the Audit Board of the Republic of Indonesia (BPK), and the Regional Financial and Asset Management Agency (BPKAD). The diversity of these institutions provides a broad perspective on the implementation of internal controls, work culture, and fraud prevention challenges in the public sector.

Data Collection Techniques

Data were collected using three main techniques to achieve a comprehensive understanding:

1. In-depth Interviews
   Semi-structured interviews were conducted with financial officers, internal auditors, and institutional leaders to explore their understanding of work culture, internal control systems, and fraud prevention challenges. Interview questions were developed based on the Pentagon Fraud Theory and the COSO Framework.
2. Work Environment and Internal Control Process Observations
   Observations were carried out to directly examine the implementation of internal control practices, including anti-fraud policy enforcement, internal transparency communication, and financial auditing procedures. The aim was to verify the alignment between written policies and actual practices in the field.
3. Document Analysis
   Analyzed documents included internal control policies, internal and external audit reports, and employee codes of ethics. This analysis aimed to assess the extent to which existing policies align with COSO Framework principles in fraud prevention.

Data Analysis Techniques

Data obtained from interviews, observations, and document analysis were examined using a thematic analysis approach (Moleong, 2021). The analysis steps included:

1. Identifying and coding thematic patterns in interviews related to work culture, internal control, and fraud risk.
2. Categorizing findings based on the theoretical framework used in the study.
3. Comparing results from multiple data sources to identify consistencies or discrepancies (data triangulation).

To enhance the validity of findings, data triangulation was conducted by cross-referencing interview, observation, and document data to ensure consistency and enrich the interpretation of results.

RESULTS AND DISCUSSION

The following section presents a description of the informants in this study, encompassing various government institutions involved in the implementation of internal control and fraud prevention in the public sector. The interviewed informants were from the Regional Personnel Agency (BKD), the Inspectorate of Bengkulu Province, the Human Resource Development Agency (BPSDM), the Regional Representative Office of the Audit Board of Indonesia (BPK), and the Regional Financial and Asset Management Agency (BPKAD). The diverse backgrounds and positions of the informants provided this study with a comprehensive perspective on the internal control system, work culture, and challenges in fraud prevention efforts within local government institutions.

Table 1. Informant Description

No	Profession/Position of Informant	Informant Description
1	BKD Employee	Responsible for personnel management and the implementation of policies related to civil servant discipline and integrity.
2	Inspectorate Auditor	Supervises and evaluates the effectiveness of the internal control system in preventing fraud within local government.
3	BPSDM Employee	Manages and develops employee competencies and work ethics through training and capacity development.
4	BPK Auditor	Conducts audits of local government financial reports and provides recommendations to enhance accountability and transparency.
5	BPKAD Employee	Manages regional budget planning and financial management, ensuring compliance with financial regulations.

Source: Primary data processed, 2024.

The Meaning of Work Culture in Fraud Prevention

Based on interviews with informants, a work culture oriented toward integrity, work ethics, and adherence to regulations plays a crucial role in fraud prevention within government agencies. A work environment that instills these values is believed to reduce the likelihood of individuals engaging in fraudulent activities. Informant 5 (a senior finance officer) emphasized:

"Integrity in work must be upheld, because without it, rules are merely a formality."

This statement highlights that integrity is a fundamental factor in implementing an effective internal control system. These findings align with previous studies, which indicate that a work culture based on integrity can reduce individuals' tendency to commit fraud (Zahari et al., 2021). When integrity becomes an inherent organizational value, individuals are more motivated to act ethically without requiring strict supervision.

However, in practice, gaps in the implementation of work ethics values persist in the workplace. Informant 2 (an internal auditor) stated:

"Some employees still perceive compliance as something imposed rather than an inherent part of their professional responsibilities."

This statement suggests that compliance with regulations has not been fully internalized as an ingrained work culture within the organization. This finding is consistent with Wardah et al. (2022), who revealed that anti-fraud policies tend to be less effective when they are merely procedural without deep understanding and awareness from employees. Mechanistic compliance, without an intrinsic belief in the importance of regulations, can result in suboptimal implementation of internal control policies.

Additionally, the interviews identified several cultural factors that can either strengthen or weaken fraud prevention efforts. Strengthening factors include ethical leadership and transparent reporting mechanisms. Leaders who uphold honesty and demonstrate ethical behavior set the foundation for a more conducive work environment for fraud prevention. Conversely, weakening factors include a permissive attitude toward minor violations and weak enforcement of regulations. Informant 3 (Head of Human Resources) stated:

"Minor violations are often overlooked, eventually becoming a habit and opening opportunities for more significant fraud."

This statement illustrates how a permissive attitude toward minor infractions can contribute to escalating fraudulent behavior. The fraud diamond theory developed by Wolfe & Hermanson (2004) explains that opportunity and rationalization are two key factors enabling fraudulent behavior. When minor violations are normalized and not strictly sanctioned, individuals may be increasingly inclined to commit more significant fraud. Therefore, it is crucial for government institutions to establish a culture that does not tolerate any form of misconduct, regardless of its scale, to minimize future fraud risks.

Overall, the findings of this study affirm that a work culture based on integrity and compliance plays a significant role in fraud prevention in the public sector. However, the success of implementing this culture depends on the internalization of ethical values by all employees and consistency in enforcing regulations. Without strict policy enforcement and individual awareness, fraud prevention efforts will merely remain a formality without tangible impact.

The Role of Internal Control in Fraud Prevention

Effective internal control plays a crucial role in reducing fraud risks, particularly in budget planning, oversight, and auditing. A robust control system not only serves as a detection tool but also as a preventive mechanism that minimizes opportunities for fraudulent behavior. Interviews revealed that strong internal control mechanisms tend to be more successful in fraud prevention. Informant 2 (an internal supervision inspector) stated:

> *"When monitoring procedures are well implemented, the opportunity for fraud decreases because employees feel they are being watched."*

This statement indicates that an effective monitoring system can have a psychological effect on employees, making them more cautious due to the potential detection of fraudulent acts. This finding aligns with research by Ulum & Suryatimur (2022), which found that a well-functioning internal control system can detect and prevent fraud before it occurs. With strict monitoring, the likelihood of individuals engaging in fraud decreases as the risk of detection increases.

However, several challenges exist in the implementation of internal control within government agencies. One of the main challenges is the limited resources and capacity of internal auditors. This limitation affects the effectiveness of oversight, causing audits to often be administrative rather than investigative. Informant 5 (a budget management officer) noted:

> *"We still lack competent internal auditors, so the audit process is often administrative rather than investigative."*

The shortage of competent auditors weakens the auditing and oversight processes, ultimately creating loopholes for fraudulent activities to persist. This challenge was also identified in research by Rafiskalina (2021), which highlighted that a lack of experienced auditors can hinder the effectiveness of internal control in detecting fraud. Therefore, it is essential for government agencies to enhance human resource capacity in auditing to optimize internal control functions.

Additionally, employee resistance to internal control mechanisms also poses a challenge. Employees who feel burdened by bureaucratic procedures tend to find ways to evade oversight. Complex and bureaucratic procedures are often seen as obstacles in daily tasks, prompting individuals to seek shortcuts, even if they potentially violate regulations. Informant 1 added:

> *"Sometimes procedures are too complicated, so employees prefer to find shortcuts, which ultimately opens opportunities for misconduct."*

This statement highlights the need for internal control policies to be designed effectively so that they are not only strong in oversight but also practical and easy to implement without hindering work efficiency. This aligns with the cost-benefit approach to internal control, which suggests that excessively stringent and burdensome policies may create negative incentives, encouraging employees to circumvent established procedures. Therefore, improvements in internal control systems should strike a balance between effective oversight and ease of implementation in the workplace.

Overall, this study demonstrates that internal control plays a significant role in fraud prevention. However, its effectiveness depends on the quality of oversight, adequacy of human resources, and employee acceptance of implemented policies. To enhance the effectiveness of this system, government agencies should invest in auditor capacity development, simplify procedures without compromising oversight effectiveness, and strengthen a culture of compliance in the workplace.

The Interaction Between Work Culture and Internal Control in Fraud Prevention

The research findings indicate that a strong work culture can enhance the effectiveness of internal control in preventing fraud. When employees have a high level of awareness regarding integrity and compliance, internal control mechanisms are no longer perceived as mere administrative obligations but become an integral part of a healthy and sustainable work system. Informant 3 explained:

> *"If all employees have a high level of moral awareness, internal control is no longer a burden but rather a part of a healthy work system."*

This statement suggests that in a work environment with a strong culture of integrity, internal control becomes more effective because employees are intrinsically motivated to adhere to established procedures and policies. This aligns with the study by Zahari et al. (2021), which asserts that an ethics-based work culture significantly contributes to the success of anti-fraud policies. In organizations that uphold ethical values, employees are more likely to reject involvement in fraudulent activities, even in situations where opportunities for fraud exist.

Conversely, when the work culture is weak, the effectiveness of internal control in fraud prevention becomes limited. One case example was found in an interview with Informant 2, who stated:

> *"Sometimes, even though audits have been conducted, other factors still hinder optimal oversight, leaving room for irregularities."*

This case indicates that without a strong work culture, internal control mechanisms can easily be undermined by external interventions or pressure from certain parties. In other words, strict regulations alone are insufficient to prevent fraud if employees lack commitment to ethical values and transparency.

To address this challenge, an integrative model is needed that combines work culture with internal control as a more effective anti-fraud strategy. This model emphasizes the importance of synergy between employees' ethical awareness and a robust control system. As Informant 4 stated:

> *"Effective internal control must be supported by an organizational culture that promotes transparency and accountability."*

This statement reinforces the idea that the success of an internal control system largely depends on an open and accountable organizational culture. Therefore, fraud prevention strategies should not solely focus on the technical aspects of internal control but must also incorporate efforts to strengthen a work culture based on integrity, transparency, and adherence to regulations.

Thus, this study confirms that an approach relying solely on internal control mechanisms without considering the cultural aspect of the workplace tends to be less effective in preventing fraud. To achieve more effective fraud prevention, organizations must cultivate a work environment that fosters ethical awareness, supports transparent work practices, and ensures that all internal control policies are implemented with full commitment from all organizational members.

CONCLUSIONS AND SUGGESTION

The findings of this study indicate that a work culture emphasizing integrity, ethics, and compliance plays a crucial role in strengthening internal control systems to prevent fraud in government institutions. A transparent and accountability-oriented work environment has been proven to minimize opportunities for fraudulent activities. However, the effectiveness of internal control largely depends on the consistent application of work culture across all organizational levels. This study also highlights several challenges in the implementation of internal control, such as weak supervisory systems and the lack of strict sanctions for rule violations, which may hinder optimal fraud prevention efforts.

This study has certain limitations, particularly in terms of the limited number of informants and restricted access to in-depth fraud case data, making the findings not yet widely generalizable. Therefore, future research is recommended to expand the scope of respondents by involving more institutions with varying levels of fraud risk. Additionally, adopting a quantitative approach could serve as an alternative to objectively measure the relationship between work culture and internal control effectiveness. Comparative studies across institutions could also provide a more comprehensive understanding of the factors that support the successful implementation of work culture in preventing fraud in the public sector.

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