

The Effect of Internal Control Systems, Community Participation, and Village Financial System on the Accountability of Village Fund Management: Prosocial Behavior as Moderation

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Abstract

Giving village funding to every village in Indonesia enables the government-designed development to be carried out through villages. The guiding concepts of openness, responsibility, and involvement should underpin every aspect of Village Fund Management (VFM). By improving the management of Village Funds (VF) and fostering the pace of village development, the pace of village development can be accelerated. Planning, carrying out, keeping books, reporting, and taking responsibility are all parts of managing VF. In this study, prosocial conduct will be used as a moderator to examine the effects of internal control mechanisms, community involvement, and village finances on the accountability of VFM. In Pelalawan Regency, Riau Province, the research was carried out by the Village Government. The study's 86 villages made up its population, and 258 people were polled for the sample. Structural Equation Modeling-Partial Least Square (SEM-PLS), a method of data analysis, was employed. The study's findings suggest that the village's financial system, internal control system, and participation in the community all have an impact on the management of the village's funds. Positive social behavior increases the control system's ability to hold the VFM accountable. Practicing good deeds makes the impact of neighborhood involvement on village financial management responsibility stronger. A village's financial system has a stronger impact on the responsibility of the fund management in the community when there is prosocial conduct.

Keywords: Internal Control System, Community Participation, Village Financial System, Accountability of VFM, Prosocial Behavior.

INTRODUCTION

Through Law Number 6 of 2014 on Regional Governance, the implementation of regional autonomy underwent a shift from a centralized form of governance to a decentralized structure. The idea that "fund should follow function" must be taken into account and put into practice while establishing fiscal decentralization (Bahl, 2000). Every transfer of power by the government has an impact on the finances necessary to carry out those duties. To carry out development, both the federal and regional governments, including villages, must follow good governance practices and seriously consider public accountability (Savitri et al., 2018). By giving all Indonesian villages access to village finances, the government is able to carry out its planned development of the country's villages. Transparency, accountability, and participation should be the cornerstones of all village fund administration procedures. Accountability is one of the foundations of good governance, which is required for the administration of VF (Savitri et al., 2019).

Accountability in the administration of VF has grown to be a requirement for village governance. The objectives of Village Law No. 6 of 2014 are to facilitate the acceleration of village growth and improve the management of village government. Direct transfers are made from the State Treasury Account, where the village monies come from the state budget, to the Regional Treasury Account, which is kept by the rency or city authority. The involvement of various stakeholders is required to support planning, budgeting for programs and activities, as well as managing village finances, including reporting and