



# Strengthening institutional governance and fraud prevention in the management of village-owned enterprises

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## ABSTRACT

Sumberkerang Village and Karang Pranti Village have tourist attractions that are then managed as joint tourist attraction business units. The results of field observations show that there is no transparency in the management of BUMDes finances where the BUMDes financial report is only known to the BUMDes chairman and treasurer. There is a lack of clarity in the description of duties between the BUMDes chairman and the Village Government. There is manipulative data on Village Original Income, especially income through BUMDes where income does not match reality. The method used is qualitative descriptive with data collection through interviews with several informants and discussion forums involved in BUMDes management and providing training in BUMDes management that is more transparent and accountable. Efforts made by providing training and mechanisms for BUMDes financial fraud prevention models by managing finances according to the regulations set where each income must be recorded according to reality and a Standard Operating Procedure for reporting BUMDes management is prepared. Further fraud prevention is carried out by supervision by the BPD once a week to ensure that BUMDes management is carried out according to existing systems and regulations. This service through socialization and training for partners can provide benefits so that they can carry out financial activities in accordance with established regulations, and village communities can also participate in supervising BUMDes financial management.

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## 1. INTRODUCTION

Government institutions at the central, regional, and village levels are currently required at every layer to be active in promoting community welfare (Riskiyono, 2015). The improvement of community welfare can be achieved by fulfilling basic rights, meeting community needs according to local conditions, and building various facilities that support the advancement of public welfare and prosperity. The state's duty to organize public welfare is similar to a welfare state (social service state) that aims to realize general welfare (Naning, 1982). This aligns with the constitutional goal of promoting the general welfare for all Indonesian people.

Acceleration and equal distribution of development are difficult to achieve if development is not focused on the concept of decentralization, which involves encouraging regional and village

governments to actively participate in development activities. The core ideas of village governance include participation, diversity, democratization, genuine autonomy, and community empowerment. Village autonomy allows villages the freedom to manage and regulate their own affairs according to applicable regulations. This is expected to enable villages to develop independently in various fields (Rawati, 2021). Village autonomy must receive support from the central and regional governments so that villages can become pillars and drivers of national economic development. Fundamentally, regulations currently grant village government's significant authority to manage the needs or original rights of their villages. These provisions are contained in Law Number 6 of 2014 concerning Villages (Village Law).

The development tasks assigned to village governments also require adequate budgetary support. According to Putri & Mimba (2017), finance is a management support instrument for planning, communication, implementation, control, and evaluation within an organization (Putri & Mimba, 2017). Village financial sources come from Village Original Revenue, Village Fund Allocation, Village Funds, and other income sources. Support from the central and regional governments is realized through Village Funds from the State Budget and the Regional Budget of the Regency/City. Village governments need to utilize various available resources, in addition to the Village Funds provided by the central government. The Village Law provides space for village governments to establish Village-Owned Enterprises (BUMDes). The establishment of BUMDes is intended to provide economic benefits to the village and to deliver public services in accordance with prevailing laws and regulations. As a business entity, BUMDes is wholly or predominantly owned by the village through direct capital participation derived from village assets (Suandi & Sudiartini, 2022). Therefore, the development of BUMDes is a form of strengthening village economic institutions and serves as a means to utilize local economic resources with a variety of potential types found in villages. Furthermore, BUMDes becomes the backbone of village government economy in order to improve the welfare of its residents.

The regulations regarding BUMDes have undergone changes and developments. The Village Law was amended following the enactment of the Job Creation Law regime through changes in the provisions of Law Number 11 of 2020 on Job Creation, which was later revoked by Law Number 6 of 2023 on the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation into Law. Before Law Number 11 of 2020 on Job Creation was revoked by Law Number 6 of 2023 on the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation, there were several derivative regulations at the level of government regulations, one of which was Government Regulation Number 11 of 2021 on Village-Owned Enterprises. Based on this legal foundation, community service project partners with the BUMDes of Sumberkerang and Karang Pranti Villages in Probolinggo Regency. The following is a description of the partner problems based on the initial identification: both partner BUMDes face several key issues, namely: the absence of Standard Operating Procedures (SOPs) in managing business units; manual and poorly documented transaction and cash flow recording; lack of systematic internal monitoring and audit mechanisms; undetected risks of fund or cash misuse; and vulnerability to bad credit in the savings and loan unit. Human resource capacity remains limited in aspects of accounting and financial management. These problems hinder Sumberkerang and Karang Pranti Villages from improving the welfare of their communities. Therefore, efforts are needed to improve the governance of BUMDes in these two villages.

Sumberkerang and Karang Pranti Villages each have a tourism object that has been developed into a business unit. One of the main obstacles faced in developing each business unit is capital. As these BUMDes are newly established, not much capital has been collected, and many needs remain unmet to further develop the BUMDes business units. The lack of capital has limited development efforts, including the plan to build semi-permanent kiosks at the Sumber Bureng tourism venue to sell products or swimming equipment. This tourist site is known for its beautiful underwater scenery and scenic rice

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field views. In addition, the lack of human resources also hampers BUMDes management due to a lack of public trust in the institution. Many community members believe BUMDes will not succeed, even though it is a government program. The human resource factor affects BUMDes management, as administrators often hold overlapping positions in other business units and are personally busy, resulting in a lack of focus in managing BUMDes.

If BUMDes governance and financial risks are managed properly, it can enhance the welfare of the village community. Empirical evidence from various case studies shows that implementing solutions through BUMDes management has significantly increased Village Original Revenue (PADes). Here are some concrete examples supporting this justification: (1) BUMDes Jaya Makmur in Mororejo Village, Kendal Regency: By managing three business units—waste management, a football field, and Ngebum beach tourism—this BUMDes successfully increased PADes by 50 percent, from IDR 328,450,000 to IDR 644,000,000 in 2019; (2) BUMDes Niagara in Wangisagara Village, Bandung Regency: Through optimized management, this BUMDes achieved an annual turnover of IDR 30 billion, becoming a success model in Bandung Regency; (3) BUMDes Karya Bersama in Delima Village, Tebing Tinggi Subdistrict, Tanjung Jabung Barat Regency: This BUMDes contributed 68.75 percent to PADes in 2021, showing a significant role in the village economy; (4) BUMDes Subur Makmur in Dukuhsari Village, Jember Regency: By managing business units such as savings and loans, general businesses, a waste processing unit (TPST), and PPOB services, this BUMDes increased its capital from IDR 110,293,000 in 2018 to IDR 235,293,000 in 2023. Additionally, PADes contributions rose from IDR 2,000,000 in 2020 to IDR 5,000,000 in 2023; and 5) BUMDes Sinar Usaha in Tabongo Timur Village, Gorontalo Regency: PADes contributions from this BUMDes rose from 20 percent in 2019 to 68.75 percent in 2021, demonstrating effective management in increasing village income.

Based on the above studies, it can be concluded that implementing effective and efficient BUMDes management solutions can significantly increase PADes. This increase not only boosts village income but also drives infrastructure development and overall community welfare. Based on the explanation above, this article will discuss strategic efforts in BUMDes governance, as current governance is still suboptimal due to limited capital, which also affects inadequate development and limited human resources (HR). Nevertheless, BUMDes development is progressing gradually and has begun to gain trust as a BUMDes capable of growing, albeit slowly, as it is still relatively new in the villages of Sumberkerang and Karang Pranti. Therefore, the researcher has chosen the title: *\*Understanding Institutional Governance and Fraud Prevention Strategies in the Management of Village-Owned Enterprises (BUMDesa) in Sumberkerang and Karang Pranti Villages, Probolinggo Regency. Village-Owned Enterprises (BUMDesa) are a crucial instrument in improving the village economy and optimizing local resource potential. BUMDesa are expected to be an economic driver not only focused on profit but also on empowering the entire village community. In Probolinggo Regency, especially in Sumberkerang and Karangpranti Villages, the role of BUMDesa is very strategic in efforts to improve community welfare.*

In Sumberkerang and Karangpranti Villages, institutional governance and fraud prevention issues are also of primary concern. Several BUMDesa in these villages face challenges in managing finances transparently and accountably, with minimal application of fraud prevention mechanisms. This condition impacts the low public trust in BUMDesa, which ultimately hampers community participation and support in BUMDesa development. Based on the above, a community service program is needed that focuses on improving understanding of institutional governance and fraud prevention strategies in BUMDesa management in Sumberkerang and Karangpranti Villages. This program aims to provide training and assistance to BUMDesa administrators, enhancing their capacity and competence to manage BUMDesa transparently and accountably, and implementing effective fraud prevention strategies. Thus, it is expected that BUMDesa in these two villages can operate more effectively, improve community welfare, and become models for BUMDesa governance in other villages in Probolinggo Regency.

In managing BUMDesa in Sumberkerang and Karangpranti Villages, Probolinggo Regency, several key problems can be identified, including suboptimal institutional governance due to unclear roles and responsibilities: many BUMDesa administrators do not clearly understand their respective roles and responsibilities, resulting in overlapping duties or, conversely, neglected tasks. There is also a lack of oversight mechanisms: the absence of an effective internal supervision system leads to weak control over activities and decisions made by BUMDesa administrators. There are also limitations in managerial capacity: most BUMDesa administrators lack the managerial and technical skills needed to manage BUMDesa professionally and efficiently. In terms of government managerial aspects, there is a lack of transparency and accountability. This includes non-transparent financial reporting: BUMDesa financial reports are often not well-prepared or presented, making it difficult to monitor and evaluate BUMDesa financial performance. Furthermore, there is a lack of accountability in decision-making: decisions are often made without a transparent and participatory process, resulting in low accountability among BUMDesa administrators.

As a result of the above-mentioned issues, there is a high risk of fraud. This is caused by the limited understanding of fraud prevention, as BUMDesa managers do not yet have an adequate understanding of the strategies and mechanisms for fraud prevention in managing BUMDesa's finances and assets. The absence of a fraud detection and prevention system in the BUMDesa management system ultimately makes it ineffective in detecting and preventing fraud, making it vulnerable to abuse of power and misconduct. The low level of community participation and trust also contributes to BUMDesa's problems due to a lack of outreach and education. Therefore, this community service program aims to provide training to BUMDesa managers. The training is carried out to provide understanding and ensure it can be applied in the bookkeeping process of every BUMDes transaction. This training is expected to contribute to the process of preparing the financial statements of BUMDes in Balesari Village to make them better and more feasible. Proper financial reporting will affect the quality of the information presented, thereby enabling users to make informed decisions. Improving the quality of financial statements can increase banking confidence in providing financing to BUMDes business units.

Outreach and education programs about the role and benefits of BUMDesa for village communities are still minimal, resulting in low community participation in supporting and supervising BUMDesa activities. Low public trust in BUMDesa will hinder the sustainability and development of both the BUMDesa and the village community itself. By identifying these problems, this community service program will focus on improving institutional governance, increasing transparency and accountability, implementing fraud prevention strategies, as well as increasing community participation and trust. Solutions to the problems in this community service include starting from the issue of suboptimal institutional governance. The solution is to hold training for BUMDesa managers on management and leadership to clarify each person's roles and responsibilities. Next is organizing workshops to help BUMDesa develop clear and comprehensive Standard Operating Procedures (SOP). Technical assistance will also be provided continuously to improve the managerial capabilities of BUMDesa managers. To address the lack of an integrated reporting system, a solution is to develop and implement an integrated reporting system to facilitate monitoring and evaluation.

Regarding the issue of low transparency and accountability, the proposed solution is financial transparency through the use of information technology. The implementation of computer-based accounting systems will facilitate transparent financial recording and reporting. Furthermore, creating financial report publications by mandating the regular publication of financial statements in locations accessible to village residents. To solve accountability issues in decision-making, a consultation forum should be formed between BUMDesa managers and village residents to discuss important decisions and ensure community participation. A community complaint mechanism should be established that is transparent and easily accessible to handle complaints and input from the public. To address the

high risk of fraud, the proposed solution is fraud prevention training. Fraud prevention training will be conducted by organizing specialized training for BUMDesa managers on how to identify and prevent fraudulent actions.

Education on ethics and integrity among BUMDesa managers is carried out by providing education on the importance of ethics and integrity in the management of BUMDesa. Developing a fraud detection and prevention system, the solution includes conducting periodic internal audits: forming an internal audit team to carry out regular financial and operational audits to detect potential fraud. The next policy step is the use of technology for supervision: implementing information technology to monitor transactions and financial activities in real-time. Increasing community involvement through the formation of a community committee tasked with overseeing BUMDesa's performance and providing regular input. Organizing discussion forums: holding regular discussion forums involving village communities to discuss developments and issues related to BUMDesa. By implementing these solutions, the management of BUMDesa in Sumberkerang Village and Karangpranti Village is expected to become more effective, transparent, and accountable. These solutions are also expected to increase public participation and trust, so that BUMDesa can contribute more optimally to improving the welfare of village communities.



**Figure 1.** Problem solving framework

## **2. METHODS**

### **Activity Plan**

The method used in implementing this community service program is the Participatory Action Research (PAR) approach. PAR is an approach aimed at learning to solve problems and fulfilling the practical needs of the community, as well as producing scientific knowledge (Luthfi et al., 2024).

The action of the PAR approach in this community service is carried out with partners, namely the BUMDes of Sumberkerang Village and Karang Pranti Village in Probolinggo Regency, involving participants from BUMDes managers, village officials, and community representatives.

The implementation of this community service program is conducted through a series of interrelated activities in several stages over a period of 3 months, from May 1, 2024, to July 31, 2024, held at the Meeting Room of the Village Hall of Sumberkerang and Karang Pranti Villages, Probolinggo Regency.

### **Partner participation, implementation team participation, and student participation**

#### ***Partner participation***

The form of partner participation in student village development activities is the management of BUMDesa which is already running in Sumberkerang Village and Karang Pranti Village.

#### ***Implementation team participation***

The form of participation of the implementing team, namely Lecturers from the Faculty of Law, Brawijaya University, consisting of 3 people in the implementation of the grant by the Directorate of Research and Community Service, Brawijaya University.

### ***Student participation***

Student Participation in Building Villages from the Faculty of Law, Brawijaya University, consisting of 10 students, later students who participate in the community service program will synergize with existing programs in the village and will be involved in the process of implementing community service for the village and also be directly involved in the technical implementation.

The training on governance conducted is an important aspect in BUMDesa management. Starting from the organizational structure, roles and responsibilities of each member, to reporting mechanisms and internal audits:

### **Stage 1: Training and mentoring**

#### ***Institutional governance training***

Holding training for BUMDesa administrators of Sumberkerang Village and Karang Pranti Village on the principles of good institutional governance, including division of roles and responsibilities, transparency, accountability, and monitoring mechanisms.

#### ***Fraud prevention training***

Providing training on fraud prevention strategies and techniques, including identification of potential fraud, early detection systems, and fraud risk mitigation measures.

#### ***Technical assistance***

Providing technical assistance to BUMDesa administrators of Sumberkerang Village and Karang Pranti Village in implementing institutional governance and fraud prevention to ensure effective and sustainable implementation.

### **Stage 2: Development of monitoring mechanisms**

#### ***Creating SOP (Standard Operating Procedure)***

Developing and documenting SOP for various aspects of BUMDesa management in Sumberkerang Village and Karang Pranti Village, including financial procedures, decision making, and reporting.

#### ***Establishment of internal supervisory team***

Establish an internal supervisory team tasked with conducting periodic audits and ensuring compliance with the SOPs that have been prepared.

#### ***Use of technology for oversight***

Implementing the use of information technology to increase transparency and accountability, such as computer-based accounting systems and financial management applications.

### **Stage 3: Monitoring and evaluation**

#### ***Regular monitoring***

The main target audience of this community service program is the BUMDes managers. The supporting audience is the village apparatus and the wider community. The indicators of the implementation of this community service program are seen from 3 main aspects, namely structural

governance, financial governance and social impact. In general, these three aspects have been achieved well by BUMDes. The BUMDes managers conveyed the need for political support (political will) from the village apparatus and active community involvement in supporting the BUMDes program so that the village runs effectively.

**Performance evaluation**

Conducting BUMDesa performance evaluation based on established indicators, such as compliance with SOPs, level of transparency and accountability, and effectiveness of fraud prevention.

**Reporting and recommendations**

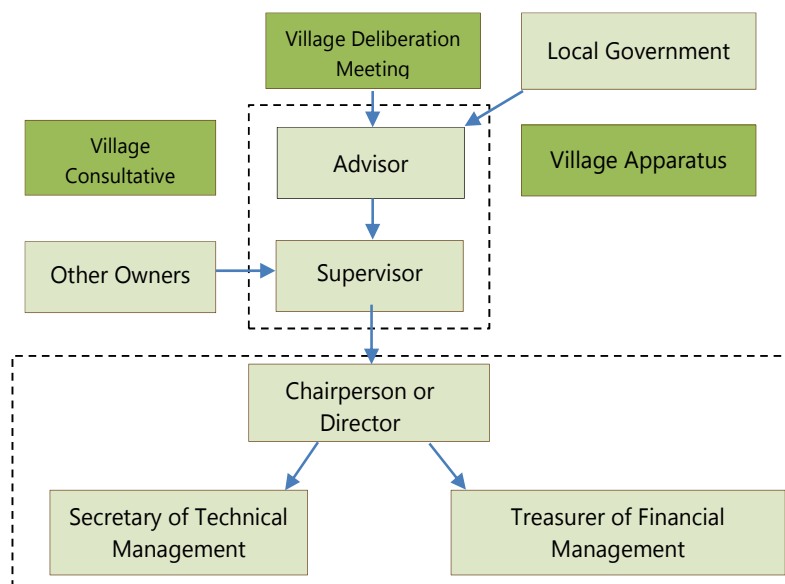
Prepare reports on monitoring and evaluation results, and provide recommendations for improvement to ensure program sustainability and improve BUMDesa performance.

With this implementation method, it is hoped that the community service program can run effectively and provide a positive impact on the management of BUMDesa in Sumberkerang Village and Karangpranti Village, so that it can improve the welfare and independence of the village community.

**3. RESULTS AND DISCUSSION**

**Improving Institutional Governance**

Sumberkerang Village and Karangpranti Village in Probolinggo Regency have become the focus of attention with the organization of a technical guidance titled Understanding Institutional Governance and Fraud Prevention Strategies in BUMDes Management (Choirul, 2024). The agenda covers various important aspects of BUMDes management, ranging from organizational structure, roles, and responsibilities of each member, to reporting mechanisms and internal audits. Good governance is the key to ensuring that BUMDes can operate efficiently and effectively, as well as provide maximum benefits for the village community.



**Figure 2.** BUMDes organizational chart

Institutionally, the BUMDes of both villages have sufficiently completed their organizational structure and functions. This is evident from the well-prepared job descriptions (tupoksi). The structural aspects required by Permendes 4/2015 have been incorporated into the organization. In addition, structures and functions for unit heads and employees have also been added. The completeness of structure and functions is a vital aspect to run an organization properly, as well as to anticipate future developments related to environmental conditions and the growth and development of the organization. However, in reality, the number of Human Resources (HR) involved in the BUMDes structure is still lacking.

Various methods and approaches can be used to detect and prevent fraud in the management of BUMDesa. Emphasis is placed on the importance of a transparent and accountable work culture as a fraud prevention effort. Fraud prevention is not only the responsibility of the BUMDesa management but also the entire village community. Therefore, good cooperation between the BUMDesa management and the community is necessary to create an environment free from fraud. Investigation auditor from the Probolinggo Regency Inspectorate also shared practical insights based on his experience as an investigation auditor.

Good supervision and clear reporting mechanisms are important steps to prevent fraud. Furthermore, BUMDesa management must have high integrity and always act according to the principles of good governance. With this technical guidance event, it is hoped that the management of BUMDesa in Sumberkerang and Karangpranti Villages will improve and be able to prevent fraud. This activity is also expected to enhance transparency and accountability in BUMDesa management, which ultimately will contribute to improving the welfare of the village community as a whole.

Fraud prevention is critical because fraud is an illegal act and deviation with certain intent such as deceiving or misleading certain parties, carried out by authorized individuals from within or outside the organization. According to the Indonesian Criminal Code (KUHP) Article 378, fraud is described as "an act with the intent of obtaining personal or group benefit by violating applicable laws by using false names or dignity, deceit, or lies done to influence others to hand over goods or something that can harm others." Therefore, preventing fraud activities is very important for the community. Below is the fraud prevention socialization activity at the BUMDesa of Karangpranti Village in Probolinggo Regency.



**Figure 3.** Fraud prevention socialization

The training conducted successfully improved the understanding of BUMDesa management regarding the principles of good institutional governance. Based on the results of the pre-test and post-test, there was an average increase in understanding of 40 percent. The BUMDesa management demonstrated better ability in preparing and implementing SOPs (Standard Operating Procedures), which were previously unavailable. This improvement was supported by training modules designed comprehensively to address previous governance deficiencies. Such internal controls can include routine

and periodic improvements aligned with the function of internal audits, which is to ensure the extent to which the identification and implementation processes are carried out (Fatimah & Pramudyastuti, 2022). This is expected to support improved institutional governance in BUMDesa, making it more professional and accountable.

Furthermore, the management began to identify their respective roles and responsibilities, reducing task overlaps that previously occurred. The implementation of SOPs helped create a more structured workflow, allowing management to focus on specific tasks that support organizational goals. This also facilitates periodic monitoring and evaluation. Internal audit efforts play a very significant role in fraud prevention (Diana & Haryati, 2021). This implies a correlation between fraud prevention efforts and the role of internal audits. Fraud prevention can be maximized if the organization has high-quality resources in internal auditing and also implements internal control systems according to applicable standard procedures.

### **Implementation of Internal Control System**

The implementation of internal controls for BUMDesa (Village-Owned Enterprises) in Desa Sumberkerang and Karang Pranti involves several important aspects to consider, such as organizational structure, policies, procedures, oversight systems, and the effectiveness of the internal controls applied. BUMDesa in Desa Sumberkerang and Karang Pranti have begun implementing a simple technology-based internal control system. This system includes: (1) Digital-based financial recording: Using a simple recording application to improve accuracy and transparency. This application allows managers to record all transactions in real-time and generate easily accessible financial reports; (2) Internal audit mechanism: Formation of a small team to monitor compliance with SOPs and financial reports. This team is trained to identify potential financial risks and provide improvement recommendations; and (3) Monitoring through monthly evaluation forums: This forum involves managers and the community to openly discuss the performance of the BUMDesa. This evaluation ensures management runs according to plan and identifies emerging obstacles.

Desa Sumberkerang and Karang Pranti need to ensure that the organizational structure of BUMDesa is clear and firm. In this case, the separation between managerial and supervisory functions is very important to ensure effective control. The leadership of BUMDesa must have adequate expertise and experience in the business being managed. This aims to ensure that the management of BUMDesa runs well, avoiding abuse of authority or conflicts of interest. Clear procedures related to BUMDesa operations are very important to ensure transparent and accountable management. Desa Sumberkerang and Karang Pranti need to have internal policy documents regulating fund management, decision-making, as well as division of tasks and authorities.

Organizational culture has an impact on strengthening Fraud Prevention. The better the organizational culture, the stronger the Fraud Prevention in BUMDesa management (Wirahadi, 2022). This result proves that the organizational commitment of an organization affects fraud prevention within that organization. The acceptance of this hypothesis is further strengthened by several previous studies conducted. The results also show that as competence improves, fraud prevention will increase. In an institution, especially in the financial sector, skilled personnel are needed when handling BUMDesa financial management.

Internal supervision by the management and related parties, such as the Village Consultative Body (BPD), must run well. This supervision covers monitoring of finances, operations, and the performance of BUMDesa. The financial management of BUMDesa must be done carefully and accurately. In this case, the implementation of a good accounting system and transparent financial reporting will help prevent

potential misuse of funds. To improve the effectiveness of internal control, Desa Sumberkerang and Karang Pranti can utilize technology in managing BUMDesa, such as accounting software or management systems that facilitate recording and reporting. The use of technology will help reduce human error and increase transparency as well as efficiency in BUMDesa management.

The implementation of internal control in Desa Sumberkerang and Karang Pranti needs to involve a clear organizational structure, standardized policies and procedures, a good supervision system, as well as transparent and accountable financial management. Continuous evaluation and community participation are also key for BUMDesa to operate well and provide maximum benefits for the welfare of the village community. Technology can also be a useful tool to increase the effectiveness and efficiency of internal control in BUMDesa.

### **Increasing Awareness of Fraud Prevention**

Educational and training activities have increased the awareness of the management regarding fraud risks. This indication is seen from the active discussions during the training about types of fraud and prevention strategies. The management also began to understand the importance of good documentation as part of fraud prevention (Murtin et al., 2024). Increasing accountability in the management of village funds by ensuring every transaction is recorded and reported transparently. This can prevent fraud and increase public trust in village fund management.

Building a whistleblowing system that enables the community and village officials to report suspected fraud without fear of repercussions. This system can be an effective tool in detecting and preventing fraud early on (Putri et al., 2024). Furthermore, the management was given an understanding of how to implement fraud detection steps, such as analyzing suspicious transactions and supervising expenditures that do not comply with the budget. Implementing an effective internal control system to minimize opportunities for fraud. Good internal control includes segregation of duties, proper authorization, and strict supervision of financial activities. In addition, the training included an introduction to the whistleblowing concept, which allows the community to report fraud indications anonymously.

### **Increasing Community Participation**

Through the discussion forum held, community participation in the management of BUMDesa increased significantly. The community provided input related to the development of BUMDesa businesses, such as the management of tourism units and local production. The community can actively participate in village deliberations that discuss the planning and implementation of BUMDesa programs. Thus, they can provide feedback and oversee the progress of the programs. This forum also functions as a joint evaluation space between the management and the community.



**Figure 4.** Communication and Discussion Forum with BUMDesa Managers

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The community can function as supervisors by reporting indications of fraud or irregularities in the management of BUMDesa through available mechanisms, such as the whistleblowing system. This participation not only contributes fresh ideas but also enhances the community's sense of ownership toward BUMDesa. They feel more involved in decision-making and have a direct interest in the success of BUMDesa. This high level of participation creates a more harmonious relationship between the management and the community, which was previously disrupted by a lack of communication. The village government should provide transparent access to information regarding BUMDesa management, so that the community can monitor and understand the flow of funds and the use of resources. With active community involvement in these aspects, it is expected that the potential for fraud in BUMDesa management can be minimized, thereby enabling the goals of village development and economic empowerment to be optimally achieved.

### Discussion

#### Effectiveness of institutional governance

The implementation of good governance is a key factor in improving the operational efficiency of BUMDesa. Based on the Cadbury Committee theory in 1992, the principles of transparency, accountability, and participation are the keys to successful institutional management (Wirawan & Putri, 2022). In practice, training on governance builds a strong foundation for the sustainable development of BUMDesa. In the context of community empowerment, delivering knowledge about financial reporting becomes a challenging task (Sharon, 2024). With clear SOPs, management can work more efficiently and reduce the risk of internal conflicts. SOPs also provide guidance for new management, so governance continuity is maintained even during management turnover. This success demonstrates that good institutional governance not only creates a solid structure but also builds public trust in BUMDesa.

The analysis of the effectiveness of institutional governance in BUMDesa in Desa Sumberkerang and Karang Pranti must consider factors such as organizational structure, community involvement, transparency, economic performance, partnerships, evaluation, and training. The success of BUMDesa greatly depends on how well these aspects are implemented. If both villages manage all these factors well, then BUMDesa can function effectively and sustainably, providing economic and social benefits to the village community.

#### The role of technology in internal control systems

The use of simple technology, such as financial recording applications, has a positive impact on transparency and accountability. This aligns with the Technology Acceptance Model theory (Trisnio, 2016), which emphasizes that technology acceptance depends on users' perceptions of ease of use and benefits.

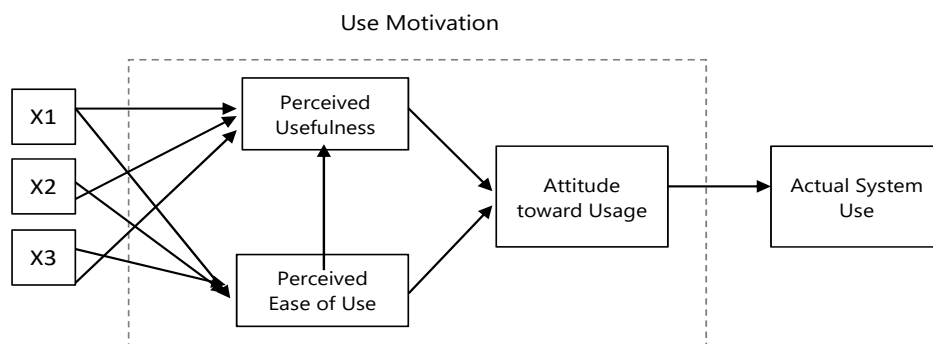


Figure 5. Financial recording application flow

The recording application allows the management to access financial data anytime and anywhere, thereby speeding up the reporting process. Additionally, the integration of technology into the internal control system helps reduce the risk of human error, which often occurs in manual record-keeping. With this technology, the management can focus more on business development without worrying about losing track of financial records.

### **Fraud prevention in BUMDes management**

Training on fraud awareness has a significant impact on the readiness of BUMDesa management to face potential financial misuse. The implementation of internal audit is an initial step to detect and prevent fraud. A study by ACFE (2021) supports this finding, stating that internal audits can reduce fraud risk by up to 50 percent (Nisa & Kuntadi, 2024). The implementation of a whistleblowing system is an important innovation in fraud prevention. This system allows the community to report suspected fraud without fear of negative consequences. The existence of this mechanism not only increases public trust in BUMDesa management but also creates a more transparent and accountable environment.

### **Increasing trust through community participation**

Community involvement in BUMDesa management creates a sense of ownership and trust. This participation becomes the foundation for the sustainability of BUMDesa programs, as suggested by Arnstein (1969) in "A Ladder of Citizen Participation." The success of discussion forums proves that village communities can play an active role in decision-making and performance evaluation.



**Figure. 6** BUMDes evaluation and monitoring

Several villages that have implemented transparency systems and community participation in managing BUMDesa show a reduction in fraud potential as well as an increase in community trust toward BUMDesa management. The evaluation stage was conducted at the beginning of the activity before training (pre-test) and after the activity (post-test), aiming to assess the impact of this community service activity on improving the knowledge and skills of partner group members in understanding the function and importance of evaluation (Halimah, 2024).

Increased community involvement in supervising BUMDesa not only prevents fraud but also ensures that the economic benefits of BUMDesa are truly felt broadly by the village community. Quality management and good institutional governance are demands for every organization to be able to compete and earn a place in the hearts of the community (Anam et al., 2018).

Communities directly involved in managing BUMDesa tend to better understand the challenges faced and are willing to provide support to overcome them. This participation also opens opportunities for collaboration with external parties, such as investors or donor agencies, who see transparency and accountability as indicators of success.

#### 4. CONCLUSION AND RECOMMENDATIONS

BUMDesa has begun to show increased revenue from the management of tourism business units and local production. This contributes to the village's original revenue (PAD). In the long term, this income can be used to fund other village development programs, such as infrastructure and education.

Community involvement in managing BUMDesa creates a closer relationship between the management and the village residents. This increases mutual trust and support for village programs. Additionally, the community becomes more aware of the importance of good governance in improving their quality of life.

With the implementation of good governance and fraud prevention, BUMDesa has a stronger foundation to develop sustainably, providing long-term benefits for the village. This sustainability impacts not only the economy but also the social stability and ecosystem of the village.

The villages of Sumberkerang and Karang Pranti need to ensure that the organizational structure of BUMDesa is clear and firm. In this regard, the separation between managerial and supervisory functions is very important to ensure effective control. The leadership of BUMDesa must have adequate expertise and experience in the business fields they manage. This aims to ensure that the management of BUMDesa runs well, avoiding misuse of authority or conflicts of interest. Clear procedures related to BUMDesa operations are crucial to guarantee transparent and accountable management. The villages of Sumberkerang and Karang Pranti need to have internal policy documents that regulate fund management, decision-making, as well as the division of tasks and authorities.

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