

ABSTRACT

This study aims to describe the phenomenon of ineffective internal control systems, especially the control environment to prevent fraud in the management of Village Funds and to build an effective control system after the occurrence of the fraud. The material in this research covers the village funds management which includes planning, implementing, administration, reporting, and accountability. Evaluation of the control environment for the management of village funds based on institutional work theory and soft control.

This research uses qualitative method based on phenomenological approach. This approach will analyze the informant experienced (primary data). The data was collected by an open interview technique directly to the informants. This research was conducted in Village X Regency Y, because according to the author's experience, its represent the Village Fund Management fraud occurrence in the Regency Y area. The data analysis technique adopted from the approach proposed by Moustakas (1994), which was simplified by Creswell (2009). There were six important procedures that must be done: determine occurring phenomenon as the object of research, formulating list of questions to audiens/informants, data collection, data analysis techniques, essence descriptions, and reporting research results.

This research shows that fraud in internal control is still occurring which is carried out only based on regulations. So that the fraud found and the prevention carried out is limited to formal errors in accordance with the provisions of assistance (hard controls). Unrestricted hard controls can cover all the complexities of the characteristics of village government. Meanwhile, improvements in intangible matters such as organization culture, mindset or ethical behavior and unwritten traditions that are included in soft controls have not been implemented to prevent fraud. The relationship between hard controls and soft controls is complementary, each one cannot replace the other. Therefore it is necessary to align hard controls and soft controls and be applied in a balanced manner with the village government, so that an effective one is formed.

Kata kunci: Village's Fund fraud, control environment, soft controls