

# **BAB I**

## **INTRODUCTION**

village is the smallest part of the hierarchy of central and local government. Surveys conducted Association of Certified Fraud Examiners (ACFE) Indonesia Chapter in 2019 found that government agencies be the ones most harmed by fraud. At the level of local government, planning and budgeting are still many problems. The problems began as district development planning is still done ceremonially (Sopanah, 2012; Toyyib et al., 2018), planning documents are inconsistent (Khusaini, 2014; Ocktavianto et al., 2017), control input prices to levels which are extremely micro in the plan of government spending is very tight and the budgeting process oriented only one fiscal year and the ineffectiveness of the process of planning and budgeting (Fakhrurraji et al., 2019), the participation of the budget and the commitment and leadership (Kohlmeyer et al., 2014), understanding the apparatus of the accounting system and budget structure (Jatmiko et al., 2020), the competence of village officials and villagers (Lumbantoruan & Mulyani, 2019), politics (Ajibolade & Oboh, 2017). Problems that occur in local government and in the village will lead to the possibility of fraud in the planning and budgeting. Thus, the issue raised is the research reveal the potential for fraud in the preparation of village planning and budgeting documents.

The previous study on the potential for fraud in the planning and budgeting is still rarely performed. Huefner (2010) found that a lack of control, monitoring, and reporting of budget documents lead to fraud in budgeting. Hasiara (2011) mentions that the pressure from employers lead to potential fraud in budgeting. Indriani et al., (2019) mentions fraud in the budget formulation occurs in the form of commitment (fee), separation of non-budgetary funds for the activities, exploiting loopholes in the law less effective supervisory system and appropriated what is done and all of the Region do similar things.

Gap research this study with previous research is the focus of this study is the potential for fraud in the preparation of planning and budgeting documents. In contrast to research that is focused on planning and budgeting processes. In addition, the object of this study is the village, while still using the previous research governance. Villages were selected because still nobody talks about village planning and budgeting documents thoroughly and deeply.