

# The Supervision of Village Fund Management to Prevent Corruption

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## Abstract

Indonesian village government is required to carry out its duties properly. The village government has an obligation to understand legal instruments in many laws and regulations. The legal instruments serve as a guideline to carry out the accountability of the village officials to execute programs that use village funds. Unfortunately, the requirements have not been materialized due to the increasing corruption involving village heads who abused village funds. The study aims to find out the form of accountability of the village head as the power holder of village fund users when there are allegations of village fund corruption and the supervisory function that can be carried out by the Village Consultative Body (BPD – *Badan Perwakilan Desa*) in preventing of village funds to be corrupted by the village head. The study shows that the legal instruments and implementation of the use of village funds are basically in accordance with the principles and principles of managing state finances, even though the arrangements are separate from the provisions on regional government, where these arrangements and management must be under the objectives of state life as regulated in the 1945 Constitution. Moreover, the form of accountability of the village head regarding the use of village funds refers to the guidelines stipulated in the legal instrument. Still, when the alleged corruption of village funds committed by the village head is proven, the case is resolved according to the criminal law provisions. The supervisory function by the BPD in the management of village funds by the village apparatus is carried out as a form of increasing prosperous village communities. However, the supervision is still weak due to political interests between the village apparatus and the BPD institution in the institutional position of the village government. This study concludes that legal instruments are essential as a guide in managing village funds, including accountability for the use of village funds. In addition, the supervisory function in village management has an important role, especially in preventing the misuse of village funds, leading to corruption allegations.

**Keywords:** corruption, management of village funds, supervisory function.

## A. Introduction

The institution of villages in Indonesia has been recognized since before the era of Dutch colonialism. During the formation of the 1945 Constitution, the founding fathers of Indonesia recognized village institution. They guaranteed village

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existence in the Indonesian Constitution. The 1945 Constitution explicitly states that the Unitary States of the Republic of Indonesia exists in an atmosphere of diversity. The state has no intention of equating the diverse conditions of the village. Previously in colonial period, the Dutch granted legality and customary rights for villages in Java and Madura regions. There was also the *Inlandsche Gemeente Ordonantie voor de Buitenge Westen* (IGO) 1938, which was enforced outside the Java and Madura regions, including in the Netherlands.<sup>1</sup>

Philosophically, Indonesian villages has existed and running governance with the people before the state emerged. Therefore, village should be the foundation and part of the subsequent governance arrangements. The building of village government is fundamental to the Indonesian state administration. In other words, people and state are located in the village. Village arrangements in the legislation, concerning both types and hierarchies, will determine the progress of the village. It certainly has implications for the government above it. The law on village government is an instrument to build a new village life that is independent, democratic, and prosperous. It does not mean that villages are left alone to support themselves. It is also related to the dimensions of justice in the context of relations between villages and the (central and regional) government.<sup>2</sup>

Recognition of village, in Indonesian regulation, has undergone various developments. The most contemporary is the Law number 6 of 2014 on Villages. Based on the law, villages are identified as legal communities that are equipped with territorial boundaries and independent authority in running the government. In addition, there also the village community rights based on agreed initiatives, hereditary rights, and local wisdom rights. The government system of the Unitary State of the Republic of Indonesia recognizes all rights. Into the bargain, the power of village officials is closely related to the authority that has been handed down from generation to generation as a form of village autonomy. It is not interpreted as a form of regional autonomy because village autonomy is the inspiration for regional autonomy.<sup>3</sup>

Village regulations are qualified as a legal instrument in the form of laws. It can be concluded that village is the implementation of state government functions within the unity of the legal system. The Law Number 6 of 2014 on Villages states that the village government system is closely related to the position of village power in the legal system order. Village is seen as a lower-level unit of politics and government administration. Therefore, the village government structure is similar with the regional government. Both are equipped with a structure that has

<sup>1</sup> Jimly Asshiddiqie, *Gagasan Konstitusi Sosial*, Jakarta: LP3ES, 2015, p. 353.

<sup>2</sup> Darmini Roza and Laurensius Arliman S., "Peran Badan Permusyawaratan Desa di Dalam Pembangunan Desa dan Pengawasan Keuangan Desa", *Padjadjaran Ilmu Hukum (PJIH)*, Vol. 4, No. 3, 2017, p. 608.

<sup>3</sup> Ateng Syarifudin and Suprin Na'a, *Republik Desa Pernyataan Hukum Tradisional dan Hukum Modern dalam Desain Otonomi Desa*, Bandung: Alumni, 2010, p. 11.

undergone many adjustments. There are also distribution of power and mechanism to select apparatus.<sup>4</sup>

The Law Number 6 of 2014 on Village brings new enthusiasm and expectation to realize independent village. It is expected to accommodate interests and needs of village community. Greater opportunities for villages to manage their own governance and equitable development implementation is expected to improve welfare and life quality of rural communities. Thus, problems like regional disparities, poverty, etc. can be minimized. The Village Law and its regulations of implementation have mandated the village government to be more independent in managing government and natural resources, as well as financial management.<sup>5</sup>

The implementation of the Law Number 6 of 2014 on Villages divides and separates the power of village government from regional government. This separation will certainly have implications, for instance, in terms of staffing, financial management, and accountability.<sup>6</sup> The separated village regulations from the Regional Government Law does not necessarily mean that the village is a separate part of the region. Village regulations set forth in a law must be interpreted as government law to recognize villages with their traditional and origin rights that are different from the regency/city and provincial areas, in addition, separated laws are contextualized to strengthen the position of village.<sup>7</sup>

Indonesia has 73,000 village and 8,000 urban village. There are two types of villages: ordinary and traditional villages. Therefore, there are also two types of village communities: ordinary village communities and indigenous peoples. Initially, Indonesian villages were communities equipped with self-governing organizations (*zelf-bestuurrende gemeenschap/matschappij*), which were different from the *volksgemenschappen* consisting of clans, *nagari*, and others. Article 18B paragraph (2) refers them community of indigenous peoples.<sup>8</sup>

A separated regulation of village can be assumed as the government's essential security, which will make village the basis of development towards a prosperous society in accordance with the ideals and goals of the state.<sup>9</sup> Article 72 of the Law Number 6 of 2014 on village stipulates that the types of village income consist of original village income (covering business results, asset returns, individuals and partnerships, mutual cooperation, etc.), regional taxes and levies, central and regional financial balance funds, State Revenue and Expenditure Budget allocations, State Revenue and Expenditure Budget assistance, Regional Revenue and Expenditure Budget assistance, grants, and donations. Assistance from the

<sup>4</sup> *Ibid*, pp. 367-372.

<sup>5</sup> Darmini Roza and Laurensius Arliman S, *op.cit*, p. 608.

<sup>6</sup> Dewi Kania Sugiharti, *Laporan Akhir Penelitian Dasar Unggulan Perguruan Tinggi (PDUPT), Aspek Hukum Pengelolaan Keuangan Desa dalam Mewujudkan Desa Bebas Korupsi*, Bandung: Fakultas Hukum Universitas Padjadjaran, 2018, p. 6.

<sup>7</sup> *Ibid*, p. 7.

<sup>8</sup> Ateng Syarifudin and Suprin Na'a, *op.cit*.

<sup>9</sup> Chabib Saleh and Hera R, *Pengelolaan Keuangan Desa*, Bandung: Fokus Media, 2015, p. 1.

Regional Revenue and Expenditure Budget of provincial, regency, or city levels is disbursed based on the financial capacity of the Regional Government. The acceleration of village development is a priority in the provision of such assistances. In addition, village income can also come from the profits of Village-Own Enterprises (BUMDES –*Badan Usaha Milik Desa*), mining management such as minerals and rocks, etc. The Village Fund Allocation (ADD –*Alokasi Dana Desa*) is the share of income sources received by regency or city government, which is determined to be at least 10% after deducted by the Special Allocation Fund (DAK –*Dana Alokasi Khusus*). In addition, the form of village financial management sourced from the State Revenue and Expenditure Budget is implemented through testing the effectiveness of the program evenly and proportionally.<sup>10</sup>

The source of village income as described above cannot be separated from Article 71 of the Law concerning the regulation of the consequences of village rights and obligations. Article 71 Paragraph (1) of the Law states that village capacity can be equated with village obligations, which can be valued in money and goods. They are closely related to the implementation of village rights and obligations. The editor of the formulation of village authority above is the same as the formulation of state finances. Article 1 Number 1 of the Law Number 17 of 2003 on State Finance reads as follows.

*“Keuangan Negara adalah semua hak dan kewajiban negara yang dapat dinilai dengan uang, serta segala sesuatu baik berupa uang maupun berupa barang yang dapat dijadikan milik negara berhubung dengan pelaksanaan hak dan kewajiban tersebut.”*

[State finances are all rights and obligations of the state that can be valued in money, as well as everything in the form of money or in the form of goods that can be used as state property in connection with the implementation of these rights and obligations.]

Village income is part of state finances. The Law Number 17 of 2003 on State Finance states that state finances are all rights and obligations of the state that can be valued in money, as well as everything in the form of money or in the form of goods that can be used as state property in connection with the implementation of these rights and obligations. Article 2 of the Law explains that state finances include state/regional assets. The area referred to is the Province and Regency/City area. The formulation of Article 71 of the Law Number 6 of 2014 and Article 1 Number 1 of the Law Number 17 of 2003 distinguishes and even separates village capabilities from state capabilities, in the sense that state finances do not include village finances as part of state finances. This creates a dichotomy between the capacity of the state and the capacity of the state/region. It can be understood that village finances are not included in state finances.<sup>11</sup>

<sup>10</sup> *Ibid*, pp. 372-373.

<sup>11</sup> Dewi Kania Sugiharti, *op.cit*, p. 9.

The legislators distinguish or separate village's capacity from the state's capacity. It will cause consequences for its financial management, as well as its accountability for budgetary capacity. The basis for the separation of village capacity from state capacity is the Law Number 17 of 2003, the Law Number 1 of 2004, and the Law Number 15 of 2004 on Audit of State Finance Management and Responsibility.<sup>12</sup> The administration of government carried out by the state apparatus cannot be separated from the function of financing sourced from state finances. It can be concluded that without state finances, the goals of the state cannot be carried out properly. The situation is only limited to legal ideals. Based on the law, it can also be concluded that the management of state finances is a part of the implementation of state government, so that the management of village funds is included in it.<sup>13</sup>

Article 1 paragraph (2) of the Government Regulation Number 60 of 2014 on Village Funds Sourced from the State Revenue and Expenditure Budget defines that village funds are sourced from the State Revenue and Expenditure Budget. These funds are transferred through the Regional Revenue and Expenditure Budget at the regency/city level before they are handed to the Village Budget. Village funds sourced from the State Revenue and Expenditure Budget are only intended for villages to be used to finance village government administration, development implementation, community development, and community empowerment. Pattiyo is of the opinion that the village gets a fairly large amount of funds, one of which comes from the APBN and aims to improve the welfare of the community, because the nature of the budget is that the budget is sourced from people's money which is managed by the government in the form of APBD and APBN for the welfare of the people. Therefore, the people have the right to know the allocation of funds spent by the government.<sup>14</sup>

According to Article 1 paragraph (9) of the Regulation of the Minister of Home Affairs Number 113 of 2014, Village Fund is a fund sourced from the State Revenue and Expenditure Budget, which is intended for village and transferred through the Regional Revenue and Expenditure Budget at the Regency/City level. The fund is used to finance government administration, implementation of development, community development, and community empowerment. The Financial and Development Supervisory Agency (BPKP – *Badan Pengawasan Keuangan dan Pembangunan*) stated that in terms of managing village funds, there would be a risk of errors in both administrative and substantive. The errors could result in legal problems considering the incompetence of village heads and village officials in village financial administration, reporting, and accountability. It is possible because the village government receive funding for programs and activities from various

<sup>12</sup> Muhammad Djafar Saidi, *Hukum Keuangan Negara Edisi Revisi*, Jakarta: Rajawali Pers, 2008, p. 9.

<sup>13</sup> *Ibid*, p. 8.

<sup>14</sup> Robi Syafwar, "Pengawasan Pengelolaan Keuangan Nagari oleh Badan Permusyawaratan Nagari di Kabupaten Agam", *Tesis, Pascasarjana Fakultas Hukum Universitas Andalas*, Padang, 2017, p. 6.

sources (both State and Regional Revenue and Expenditure Budget). Consequently, it must be managed in a transparent, accountable, and free from abuse of power.

The enactment of the Law Number 6 of 2014 on Village seems need implementation readiness in various serious aspects. There are several things that must be prepared by village related to the readiness of the village government apparatus, the implementation and use of the budget, as well as improving the function of community services to adjust with the funds obtained. The Law provides new hope in increasing the role of village government officials as the front line in Indonesian development and society.

The supervisory function in the use of state finances includes supervision in the use of village funds in preventing corruption that can cause state financial losses, especially those caused by errors. The error can occur either because of an element of intent (*dolus*) or negligence (*culpa*). These errors should be avoided. The elements are legal objects, not subjects.<sup>15</sup>

The increase in cases of corruption in village funds occurs due to various things, one of which is the lack of supervision carried out by the Village Consultative Body (*BPD – Badan Perwakilan Desa*), village communities, and the government. Universities can contribute in the prevention of corruption by village officials.<sup>16</sup> Therefore, it is important to conduct this study based on the background. This study focuses on the question of how the accountability of village officials in the management village is funds; and how is the function of management supervision on village funds in the prevention of corruption by village officials that can cause state losses.

This study used normative juridical. It is legal research carried out by researching library materials. The data is secondary data as the basis for research by searching legislation and literature<sup>17</sup> related to the problems of the study. The research specification is descriptive-analytical, namely making systematic sensing of the facts including describing the applicable regulations. The data were analyzed by using normative qualitative method because it covered the existing laws and regulations as positive legal norms. Subsequently, the results of field data collection supported the data. The reasoning is carried out with a deductive method before a qualitative analysis.

This study has three purposes: individual, practical, and research purposes. The individual purpose is to contribute to the development of science, specifically in the context of State Finance Law and Criminal Law. The practical purpose is to obtain a concrete concept or picture of the practice of management of village funds. The results of this study are expected to have useful value for village officials who have

<sup>15</sup> *Ibid*, p. 71.

<sup>16</sup> Dewi Kania Sugiharti, *op.cit*, p. 10.

<sup>17</sup> Soerjono Sukanto dan Sri Mamudji, *Penelitian Hukum Normatif: Suatu Tinjauan Singkat*, Jakarta: Rajawali Pers, 2006, pp. 13-14.

authority in managing village funds consisting of the village head, secretary, and treasurer.

### **B. Village Officials Accountability in Village Fund Management**

The management of village funds is included in the legal regime of state finances. The 1945 Constitution regulate it as a form of state life implementation to achieve prosperity and welfare for the people of Indonesia. The goals of the state are in line with the duties, functions, and authorities of the village government to develop village. The basis for the existence of the village government is the Law Number 6 of 2014 on village. Village has full power to carry out self-governance and development to realize prosperity of the village community. Village has autonomy and authority in terms of finances, especially village funds. The implication is that the role of the village officials is very significant. In the principle of state financial law, the village government and authorities must be guided by the principles and norms of state financial law. Every form of development is intended for the welfare of the people. The state finances them and village community know it like other village rules.<sup>18</sup>

The village's independence in managing its finances is a form of autonomy and authority. It is expected that the target of village development can be realized to improve the welfare of the village community and community participation in supervising the implementation of village development financed from village finances.<sup>19</sup> Examples of budget aspects that need to be guided in managing village funds are as follows.

1. Income derived from planning activities is a careful calculation of each instrument that is a source of village revenues. The use of budgeted village funds is the maximum limit in the use of village finances.
2. Expenditures must consider the balance sheet with village income factors and are not justified in carrying out village development that does not meet the budget credit as stipulated in the Village Revenue and Expenditure Budget (*APBDesa – Anggaran Pendapatan Belanja Desa*) or its Amendments.

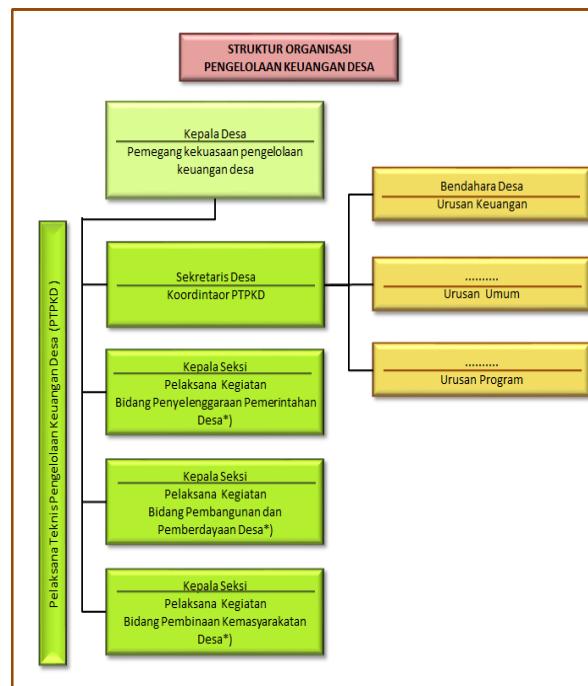
The village head is a position that has authority in managing village finances but, at the practical level of implementation, the function of this authority is handed over to village officials. Therefore, at the practical level, the use of village finances is carried out jointly.

The following figure is the diagram of the positions that manage village finances.

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<sup>18</sup> Dewi Kania Sugiharti, *op.cit*, p. 18.

<sup>19</sup> Haidin Sahrul, "Pelaksanaan Pengelolaan Keuangan Desa setelah Berlakunya Undang-Undang Nomor 6 Tahun 2014 tentang Desa (Studi di Kabupaten Dompu)", *Jurnal IUS*, Vol. 5, No. 1, 2017, p. 153.

**Figure 1. Diagram of Village Financial Management Positions**

The cycle in the illustration shows the vertical relationship of the authority of the Village Head and the Technical Implementer of the Village Financial Management (PTPKD – *Pelaksana Teknis Pengelolaan Keuangan Desa*), which consists of the Village Secretary, Section Heads, and Treasurer.

Village funds that are the government's program become the strength of a village in building and developing village to become an independent and strong. All villages that receive village funds must be able to manage village finances and able to report and be accountable for the management of the funds. The management of village funds is part of the activities and responsibilities of the village officials. The rights and obligations of the village officials include duties, functions, and authorities. Based on Article 93 of the Presidential Regulation Number 43 of 2014 on the Implementation of the Regulations of Law Number 6 of 2014 on Villages, the rights and obligations of the village officials include planning, implementation, supervision, and accountability for the use of village funds. Based on the Regulation of the Minister of Home Affairs Number 113 of 2014 and the Government Regulation Number 43 of 2014 in conjunction with the Government Regulation Number 47 of 2015, village financial management includes planning, implementation, administration, reporting, and village financial accountability activities. The rights and obligations of village officials can be explained respectively as follows.

## 1. Planning

The definition of development planning is the process of stages of activities for the utilization and allocation of resources within a certain period of time to improve the welfare of the community. In the planning and budgeting stages, village government involve the village community selected by the Village Consultative Body. Therefore, the work program is prepared to regulate the interests and needs of the community and in accordance with the capabilities of the village.

However, quantitatively and qualitatively, the roles and responsibilities of village have not been matched by the existing human resources. The obstacles are that village does not yet have procedures, the lack of facilities and infrastructure. The community is not yet critical of the management of the village revenue and expenditure budget. The amount of funds for fund management by the village government poses a fairly high risk, especially for village government officials.<sup>20</sup>

## 2. Implementation

The implementation of Village financial management is related to Village Revenue and Expenditure Budget. The implementation stage is an activity to run the Village Budget in one fiscal year. The period is usually from the beginning of the year, on January 1, to the end of the year, on December 31. In the implementation of the village budget that has been determined previously, there are transactions of village revenues and expenditures. All village revenues and expenditures in the implementation of village authority are carried out through the village treasury account. If a village does not yet have banking services in its territory, the arrangement is determined by the Regency/City Government. All village receipts and expenditures must be supported by complete and valid evidences. Some of the rules in the implementation of village financial management are as follows. The village government is prohibited from making levies as village revenues other than those stipulated in village regulations. The treasurer can save the Village Treasury at a certain amount to meet the operational needs of the village government. The regulation of the amount of money in the village treasury is stipulated in a Regent/Mayor Regulation. Village expenditures that result in a burden on the *APBDesa* cannot be made before the Draft Village Regulation on the *APBDesa* is stipulated as a Village Regulation. Village expenditures do not include binding personnel expenditures and office operations stipulated in village head regulations. The use of unexpected costs must first be made. Details of the Budget have been approved by the Village Head. Implementing activities that apply for funding to carry out activities must be accompanied by documents

<sup>20</sup> Boedijono, et.al, "Efektifitas Pengelolaan Dana Desa untuk Pembangunan dan Pemberdayaan Masyarakat Desa di Kabupaten Bondowoso", *Jurnal Riset Manajemen dan Bisnis (JRMB) Fakultas Ekonomi UNIAT*, Vol. 4, No.1, 2018, p. 14.

including a Cost Budget Plan. The Budget Plan is verified by the Village Secretary and ratified by the Village Head. The activity executor is responsible for expenditure actions that result in the burden of the activity budget by using the activity cash sub-book as accountability.

### 3. Administration

Administration is an activity in the financial sector that is carried out based on principles, standards, and procedures to obtain financial information. The result of the administration is a notification or report for financial management accountability. The village head in carrying out village financial administration must determine the village treasurer. The determination of the village treasurer must be made before the start of the relevant fiscal year and based on the decision of the village head. Hamzah states that the village treasurer is a village official appointed by the village head to implement the Village Budget. The village treasurer is obliged to account for money through an accountability report. The accountability report is submitted every month to the Village Head and no later than the tenth day of the following month.<sup>21</sup> In the Regulation of the Minister of Home Affairs Number 113 of 2014, the accountability reports that must be made by the village treasurer are as follows.

- a. The general cash book is used to record various activities involving cash receipts and disbursements, both in cash and on credit, and is also used to record bank mutations or bookkeeping errors. The general ledger can be regarded as a source of transaction documents.
- b. The tax subsidiary ledger is used to assist the general cash book for income and expenses related to taxes.
- c. Bank book is used to assist the general cash book for receipts and expenses related to bank money.

### 4. Reporting

Reporting is an activity carried out to deliver matters relating to the results of work that has been carried out for a period as a form of implementation of accountability for the obligations given.

In the reporting process, village government sometimes experiences delays in reporting the use of village finances. However, some respondents also answer it on time. The delays are usually caused by:

- a. filling in data in a lot of forms so that it takes time;
- b. late reporting;
- c. delays in the process of making reports and delays in the disbursement process;
- d. lack of coordination with the implementing team who experienced problems with the system because the flow is complicated, so that the input process sometimes has to repeat.

<sup>21</sup> Eko Sumarsono and M. Effendi., "Efektivitas Pengelolaan Keuangan Desa dengan Penerapan Sistem dan Prosedur Akuntansi Dana Desa", *Majalah Ilmiah Solusi*, Vol. 17, No. 2, 2019, p. 3.

The accountability of village government administrators is a measure, which is an assessment shown in the level of conformity of service delivery with the size of the values or norms of external factors that exist in the community or are owned by users. However, there are several obstacles faced by village in the process of making reports village financial responsibilities. They are:

- a. intensity of report requests that are considered too frequent;
- b. the location does not match the project work;
- c. delay in supporting documents and delay in realization;
- d. supporting evidence is usually also an obstacle in the accountability process;
- e. there are too many reporting forms or changing formats other than the reports on the system;
- f. the flow in making the accountability report is an obstacle because the system is too complicated.

5. Accountability

The accountability of village government administration is a measure used in calculating the level of conformity of services carried out with the size of the values or norms of the community.

Village officials in carrying out their responsibilities must adhere to the principles and norms. It is intended that village officials who act based on their authority can improve their performance to achieve targets in the use of village funds. Village fund must be managed based on transparent, accountable, and participatory principles. They must be carried out in an orderly and disciplined manner. Therefore, the village officials, especially those responsible for the village funds, must understand financial management and reporting.

Basically, the principles of managing village funds are not legal rules or legal norms, so they do not have binding legal force, except that they only have moral strength that can be used as guidelines in managing village funds. Nevertheless, the management of village funds cannot be separated from the principles of the management of village funds to produce the best work to avoid state financial losses.<sup>22</sup>

The principles of the fund management can be explained respectively as follows.

1. The principle of results-oriented accountability must be held by every village fund manager as an accountability to the village community for the implementation of every development activity that uses village funds.
2. The principle of professionalism prioritizes the balance between the professionalism of the village fund manager and the rights and obligations.

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<sup>22</sup> Josef Mario Monteiro, *Hukum Keuangan Negara dan Daerah*, Malang: Setara Press, 2019, p. 108.

3. The principle of proportionality requires village fund managers to be guided by the code of ethics and applicable laws and regulations in carrying out their duties, functions, and obligations.
4. The principle of openness requires openness to public information on all uses of village funds.
5. The principle of monitoring is carried out by the Village Consultative Body.
6. The principle of financial audit by a free and independent auditing agency prioritizes the independence of the State Audit Board without any influence from anyone to audit and examine the use of village funds.

Based on the data and the results of field studies obtained from several villages in West Java and Bali, there are facts related to how the village head is responsible for village funds as part of village finances. In carrying out their duties, authorities, rights, and obligations in the management of village funds, the village head has an obligation to submit reports as a form of accountability. The reports are periodic, semiannual, and annual. They are submitted to the Regent/Mayor and the BPD. Reports to the Regent/Mayor (through the district head) include: semiannual reports on the realization of the implementation of the Village Revenue and Expenditure Budget, accountability reports on the realization of the implementation of the Village Revenue and Expenditure Budget to the Regent/Mayor at the end of each fiscal year, and reports on the realization of the use of village funds.

In particular, the form of accountability of the village head as a village official related to the management of village funds is the obligation to submit a report on the realization of the use of village funds to the regent/mayor every semester. Submission of the report on the realization of the use of village funds is carried out for the first semester no later than the fourth week of July of the current budget year; and for the second semester no later than the fourth week of January of the following fiscal year.

Since the research location in Bali was conducted in a traditional village, which has its own financial management mechanism that is not bound by government regulations, the form of accountability of the village head in managing village funds is only focused on a few villages in West Java. They are Bobos, Curug, Gegesik Lor, and Jungjang located in the Cirebon Regency area and Kanangasari in the West Bandung Regency. Based on village fund reports from several villages in the regency/city area, the Regent/mayor submits a Report on the Realization of Distribution and Consolidation of the Use of Village Funds to the Minister of Finance with a copy of the minister in charge of the village, the technical minister/head of the relevant non-ministerial government agency, and the governor no later than fourth week of March of the following fiscal year. The fact that has been revealed is that there is no provision that regulates the format of the village fund report that must be submitted by the village and the compilation

format that must be prepared by the regency/city government. The reference in managing village funds is the Regulation of the Minister of Villages, Remote Area Development, and Transmigration Number 5 of 2015 on Priorities for the Use of Village Funds in 2015.

Based on field data that has been collected from several villages in West Java, the accountability of the village head in managing village funds is basically in accordance with the principles in village financial management, especially the principles of accountability, professionalism, proportionality, and openness. However, there are some technical problems that arise. There are also some points that are still not specifically regulated, such as the format of village fund reports and compilations. In addition, each village that is the object of this research always displays reports on the income and use of village finances, especially village funds in the form of demography. Therefore, the community can find out various information related to the management (use) of village funds.

**C. Function of Supervision of Village Fund Management in Preventing Corruption**  
 Corruption is referred to as *Corruptio-corruptus* in Latin, *corruptie* (Dutch), and *korupsi* (Indonesian). There are ancient manuscripts of Negara Kertagama written in Sanskrit that mentions the literal meaning of corruption refers to corrupt, rotten, depraved, and dishonest actions related to finances.<sup>23</sup>

The Black's Law Dictionary defines corruption as follows.

*"an act carried out with the intention of providing an advantage that is not in accordance with the official obligations and rights of other parties, wrongfully using his position or character to obtain an advantage for himself or for another person, along with his obligations and rights. - the rights of the other party."*<sup>24</sup>

These definitions have similarities with the notion of corruption in the results of the World Bank study, "an abuse of public power for private gains". The juridical understanding of corruption, both its meaning and its type, has been formulated in the Law Number 31 of 1999 in conjunction with the Law Number 20 of 2001. In a juridical sense, the definition of corruption is not only limited to actions that meet the offense formulation, which can harm state finances or the state economy but also include acts that meet the offense formulation that are detrimental to society or individuals.<sup>25</sup>

Corruption of village funds in the form of the Village Revenue and Expenditure Budget may be carried out by village heads as village officials in various ways. Starting from the determination of programs that are not on the government's

<sup>23</sup> Sudarto, *Hukum dan Hukum Pidana*, Bandung: Alumni, 1996, p. 15.

<sup>24</sup> Henry Campbell, *Black's Law Dictionary*, St. Paul Minnesota: West Publishing, 1999, p. 32.

<sup>25</sup> M. Adi Toegarisman, *Pemberantasan Korupsi dalam Paradigma Efisiensi*, Jakarta: Penerbit Buku Kompas, 2016, p. 21.

priority scale, unit price mark-ups, collusion in the implementation of tenders, budget duplication, disbursement of village funds for which there is no credit score, fictitious programs, etc. The corruption begins at the planning, implementation, supervision, and accountability stages. For example, at the planning stage, it starts with negotiating various development programs including location, type of work, unit price, and technical tenders between village officials and construction service business actors. The principle of efficiency begins to be reduced when a conspiracy is carried out by village officials with construction service business actors. There is an advantage between the construction service business actors and the village officials. Even before the tender was conducted, unscrupulous construction service business actors usually had to spend funds as part of the collusion.

At the implementation stage, the construction service business actors who has colluded with the village officials can easily get the tender based on the direction of the village officials. Deviations from the principle of efficiency, such as the example above, mean that the capital expenditure for development can be enjoyed by village officials and construction service business actors in a neatly patterned, structured, and institutionalized method. These irregularities can damage the management of village funds, making it inefficient, and far from the community's sense of justice. This type of corruption can be found in the corruption case involving the village head of Lobu Rampah of North Labuhanbatu, North Sumatra. The head, Kamaluddin Hasibuan was convicted of corruption in village funds worth Rp399 million. The judge of the Medan district court sentenced him to 4 years and 6 months in prison. In the Lobu Rampah's budget, there are six types of activities that have been budgeted for but have not been realized by the defendant, including infrastructure projects according to the volume set by the Budget Plan causing state loss to Rp399 million.

Basically, supervision is carried out to avoid possible deviations from the objectives. Therefore, supervision is a control instrument that is attached to every stage in a budget cycle. The control is intended to establish a relationship between the objective and the realization of each program, activity, project that must be implemented by the government.<sup>26</sup> From a managerial point of view, supervision implies observation of the implementation of all activities of the organizational unit that are examined to ensure that all work being carried out is in accordance with plans and regulations. It can also be defined as an effort so that a job can be carried out according to a predetermined plan. A supervision can minimize the emergence of obstacles, while obstacles that have occurred can be immediately identified and repaired. In terms of state administrative law, supervision is defined as an activity process that compares the plan, the implementation and the result.<sup>27</sup> In this regard, according to Nawawi, supervision is carried out at any time, both during the

<sup>26</sup> Josef Mario Monteiro, *op.cit*, p. 109.

<sup>27</sup> Adrian Sutedi, *Hukum Keuangan Negara*, Jakarta: Sinar Grafika, 2012, p. 172.

management or administration process or after it ends, to determine the level of achievement of the objectives of a particular organization or work unit.<sup>28</sup>

Referring to the theory that the supervision of village fund management is intended to determine the performance of village officials in managing village finances in the form of the *APBDes*. If the village officials were successful in achieving the goal, then the village government is considered to be able to manage village funds efficiently and effectively. Conversely, if the village officials fail, it is considered to have caused state financial losses. State losses can be seen based on legislation, including the Law Number 1 of 2004 on the State Treasury, the Law Number 15 of 2006 on the Supreme Audit Agency, and the Law Number 31 of 1999 in conjunction with the Law Number 20 of 2001 on the Eradication of Corruption.

In some literature, the theory and principles of supervision are explained. There are several theories<sup>29</sup> where the supervision determines the success and failure of a monitoring system. The first is the theory of juridical power. The second is the theory of the type of supervision. According to this theory, there are two types of supervision: (1) repressive supervision,<sup>30</sup> which is interpreted as a supervision that uses coercive means and threatens with sanctions to achieve its goals; and (2) normative supervision,<sup>31</sup> which is interpreted as supervision that uses a way of synchronizing the understanding of values and goals. The third is the theory of supervisory authority, which includes legitimacy. Based on this theory, supervision is carried out by a recognized and authorized body,<sup>32</sup> supervision by using a skill (*deskundigheid*),<sup>33</sup> supervision that gains trust (*geloof*),<sup>34</sup> and legal awareness (*rechtbewustzjin*).<sup>35</sup> The fourth is communication theory. It covers the process of delivering and receiving messages or symbols that contain certain meanings.<sup>36</sup> The fifth is publicity theory, which is to publish problems to the general public which can give effect to public pressure as a result of public opinion.<sup>37</sup> The sixth is the theory of arrogance of power.<sup>38</sup>

Article 1 point 4 of the Law Number 6 of 2014 on Villages states that the Village Consultative Body is an institution that carries out government functions. The

<sup>28</sup> Hadari Nawawi, *Pengawasan Melekat di Lingkungan Aparatur Pemerintah*, Jakarta: Erlangga, 1993, p. 6.

<sup>29</sup> Irfan Fachruddin, *Pengawasan Peradilan Administrasi terhadap Tindakan Pemerintah*, Bandung: Alumni, 2004, pp. 16-17.

<sup>30</sup> Dunsire A, *Control in a Bureaucracy*, Oxford: Martin Robertson, 1978, p. 35.

<sup>31</sup> A. Etzioni, *The Active Society: A Theory of Societal and Political Process*, London: Free Press, 1968, p. 96.

<sup>32</sup> Soerjono Soekanto, *Pokok-Pokok Sosiologi Hukum*, Jakarta: Rajawali Pers, 1988, p. 80.

<sup>33</sup> E. Niemeijer and Timmer J.S, *Het ABC van de Nationale Ombudsman: Arbiter, Bewaker en Consulent, Bestuurskunde*, Nr. 8, 1993, p. 378.

<sup>34</sup> Philip Giddings, Roy Gregoty, Victor Moore, and Jane Pearson, "Controlling Administrative Action in The United Kingdom: The Role of Ombudsman System and The Court Compard", *International Review of Administrative Sciences*, Vol. 59, No. 2, 1993, p. 301.

<sup>35</sup> R. Otje Salman, *Beberapa Aspek Sosiologi Hukum*, Bandung: Alumni, 1989, p. 50.

<sup>36</sup> Soerjono Soekanto, *Efektivitas Hukum dan Peranan Sanksi*, Bandung: Remaja Karya, 1985, p. 17.

<sup>37</sup> J.B.J.M. Ten Berge, *De beketenis van de Nationale Ombudsman Voor Het Bestuursrecht, In de Nationale Ombudsman*, VAR-reeks 106: Alphen aan den rijn, 1991, p. 19.

<sup>38</sup> Irfan Fachruddin, *op.cit*, p. 17.

members are representatives of the village population based on regional representation and elected democratically. The Village Consultative Body has a strategic function to determine village policies and the supervision to the village government because of its function as a supervisory body. Oversight of governance is one of the most important reasons why Village Consultative Body needs to be established. Supervision efforts are intended to reduce abuses of village authority and finances in the administration of village governance.<sup>39</sup> Article 55 of the Law Number 6 of 2014 on Villages states that the Village Consultative Body has the functions: to discuss and to agree on draft of village regulations with the village head, accommodating and channeling the aspirations of the village community, and supervising the performance of the village head.

Referring to the three functions, Village Consultative Body is an institution that carries out the mechanism of checks and balances in the administration of village governance, based on the discussion of the draft of Village Law between the Regional Representatives Council (DPD), the People's Representative Council (DPR), and the government. Ospara, a representative of the DPD emphasized that strong village governance is not in terms of an authoritative form of government (e.g. with a long term of office) but a form of village government with democratic and controlled governance (checks and balances) by local institutions such as the Village Consultative Body, or deliberation bodies and elements of the local community.<sup>40</sup>

The Village Consultative Body has a strategic role in overseeing the use of village funds, so that they are not corrupted. Article 48 and Article 51 of the Government Regulation Number 43 of 2014 mention at least three important points that must be considered as follows.

1. Article 48 letter c states that the village head is obliged to submit a written information report on the administration of government to the Village Consultative Body at the end of each fiscal year.
2. Article 51 paragraph 2 mentions that the information report on the implementation of village administration as referred to in paragraph (1) shall at least contain the implementation of village regulations.
3. Article 51 paragraph (3) explains that the information report on the implementation of village governance as referred to in paragraph (1) is used by the Village Consultative Body to carry out the function of monitoring the performance of the village head.

From the above provisions it is important to underline the words 'at least' in Article 51 paragraph (2). This is because in the information report on the administration of government, one and the main thing is regarding the

<sup>39</sup> Dian Haryani, "Peran Badan Permusyawaratan Desa Dalam Pengawasan Penyelenggaraan Pemerintahan Desa di Desa Melati II Kecamatan Perbaungan Kabupaten Serdang Bedagai", *Jurnal Perspektif*, Vol. 8, No. 1, 2015, p. 427.

<sup>40</sup> Rob Shafwar, *op.cit*, p. 8.

implementation of village regulations containing the Village Budget. This means that the village head is required to make a written statement report on the implementation of village regulations regarding the implementation of the Village Budget.

Since village funds sourced from the State Revenue and Expenditure Budget are quite large, a control mechanism is needed from the community to monitor the use of village funds according to their designation to improve community welfare. Village governments are required to conduct government in a transparent and accountable manner. Village Consultative Body as an institution that has a supervisory function, is expected to carry out its role seriously, especially in terms of budget use. Government laws and regulations already provide a clear legal umbrella, so that the Village Consultative Body does not need to hesitate in carrying out its function of supervising the performance of the village head. The existence of this 'check and balance' mechanism will minimize misuse of village finances.<sup>41</sup>

Village development planning is prepared in a time-framed manner covering the *RPJM-Desa* for a period of six years. This village development planning is based on accurate and accountable data and information. The data and information include the implementation of village's government, administration and organization, direction of development policies, finances, profiles, and other information related to village administration and community empowerment. In realizing village independence, it is necessary to implement village governance that is oriented to transparency, participation, democratization, and empowerment of rural communities for assessing the accountability of village government performance within a certain period of time.

The task of financial supervision carried out by the Village Consultative Body must also be considered after village regulations are produced. Therefore, the village regulations can run well. The implementation of supervision can also detect the extent of the village head's policies to carry out and to what extent the financial irregularities that occur in the implementation of the work. There are several activities in the financial supervision role carried out by the Village Consultative Body as follows.

1. Financial Control is a method or method that is carried out on individuals or groups so that their behavior and actions are in accordance with social values and norms adopted by the community. The Village Consultative Body is expected to be able to apply an effective method or step in carrying out its main tasks and functions to be able to synergize and have an understanding among the members. Village Consultative Body as an element of the implementation of the Village Government, in this case the implementation of

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<sup>41</sup> Ngatiyat Priyambudi, "Legal Basis for Supervision of Village Funds by the BPD", <http://www.keuangandesa.com/2015/05/dasar-law-pengawasan-dana-desa-by-bpd/>, accessed on May 28, 2021.

the supervision of the *RPJM-Desa*, by the Village Consultative Body on the design carried out by the village head. There is a cooperative relationship between the two village institutions.

2. Financial Supervision is a systematic effort to set performance standards in planning to design information feedback systems, to compare actual performance with predetermined standards, to determine whether there has been a deviation, and to take corrective actions needed to ensure that all company or government resources have been used effectively and efficiently to achieve a company or government goal. Village Consultative Body is a village community representative that is expected to be able to carry out the main tasks and functions of supervising the policies that have been determined and mutually agreed through the *RPJM-Desa* whether it can run according to the agreement and joint provisions in the deliberation.
3. Monitoring is to be able to make measurements through time that show movement towards a goal since awareness is about what one wants to know. The Village Consultative Body as the executor of supervising village regulations and village stipulations in carrying out their main tasks and functions needs to also implement and monitor policies that have been agreed upon and determined together so as to prevent irregularities. In terms of monitoring, the Village Consultative Body is not fully involved in monitoring the implementation of the programs listed in the *RPJM-Desa*. It seems that the village government or, in this case, the village head runs independently so that there is no coordination or cooperation between the two government institutions. The Village Consultative Body was only involved during the discussion of the village fund allocation.
4. Evaluation, assessment is a process for making decisions using information obtained through measuring learning outcomes both using tests and non-tests. The Village Consultative Body is only involved during the discussion of the village fund allocation as the main tasks and the functions needs to carry out a thorough evaluation of the performance to find out the extent of the success and weaknesses that have been implemented so that in the future it runs effectively and efficiently. The village government and the Village Consultative Body as the elements of village administrators can work professionally in village development. Development targets can be achieved in accordance with the *RPJM-Desa* that has been agreed and determined with elements of village government administrators.
5. Supervision is a program of measuring and improving the performance of the activities of subordinates to ensure that the achievement of goals of the company or government and the plans designed. Village Consultative Body is expected to carry out its main duties and functions to implement supervision in its performance to seek improvement measures, to prevent deviations, and to make improvements to policies that will be and are currently running. In

addition, it is also to get maximum results on the implementation of policies that have been agreed and determined together. Supervision greatly depends on human resources and expertise of the village government officials.

The Village Consultative Body can also supervise all actions taken by the village government in line with the aspirations that have been conveyed. If there is a deviation, the Village Consultative Body will give a warning for the first time in a gentle manner. The Village Consultative Body will clarify in a village meeting chaired by the Head of the Village Consultative Body. If an action is very difficult to solve, then the Village Consultative Body will give sanctions or warnings according to the regulations, such as reporting to the district head and regent for a follow-up.

The forms of supervision carried out by Village Consultative Body include monitoring all village treasury income and expenditures, routine monitoring of self-help funds used for village development and village development. The effectiveness of the supervision in overseeing the running of village finances also requires participation and cooperation from all components of the community.<sup>42</sup> The role of Village Consultative Body in carrying out the function of supervising the management of village funds can be pursued through an institutional scheme that is controlled and that exercises control. As an internal control, the Village Consultative Body can carry out supervision to ensure that the village head has carried out instructions to his staff so that every activity program financed from village funds can be realized.

The weakness of the supervisory function by the Village Consultative Body can be found during field studies in West Java. It is necessary to know that the spearhead of the effective use of village funds lies in the quality of the village's human resources, based on several research visits to several villages in West Java. For example, Kanangasari Village of West Bandung Regency has a village treasurer who is a high school graduate. The treasurer obtained the expertise of treasury by self-taught and various trainings organized by the district, even though the government's demands related to the management of state finances should be held by human resources who are certified in their fields. It is confirmed in an interview with the Garut Regency Attorney, Dikdik. Based on several cases he handled, corruption cases involving the village head were mostly caused by the limited quality of human resources in the village compared to applicable financial rules or systems and procedures. In another interview, the West Java Police Corruption Crime Investigator, Tantan Sutanto, said that the modus operandi of the village head to corrupt village funds consists of payment cuts, price inflation, fake Budget Plans, problematic human resources who work not in accordance with Standard Operating Procedures of guidelines, and un-synchronizing financial

<sup>42</sup> Christin Walukow, "Peranan Badan Permusyawaratan Desa Dalam Pelaksanaan Fungsi Pengawasan (Suatu Studi di Desa Kauneran Kecamatan Sonder Kabupaten Minahasa)", *Jurnal Eksekutif*, Vol. 1, No. 7, 2016, pp. 1-17.

accountability with implementation in the field. This is a challenge to improve the village financial management system in the future.<sup>43</sup> Based on the field studies, there are heads of Village Consultative Body and the management are generally still one family member with the village head as the holder of the power to manage village funds. This condition also weakens the supervision of the Village Consultative Body because in this case the two institutions have an interest in each other –not just an institutional relationship between those who supervise and are supervised. It can lead to the higher possibility of misuse of village funds.

According to Indonesia Corruption Watch (ICW), there were two hundred and fifty-two cases of corruption of village finances from 2015 to 2018 with a total state loss of Rp107.7 billion. There has been an increase in the number of corruptions in the village. In 2015, there were twenty-two cases. In 2016, there was an increase to forty-eight cases. In 2017 and 2018, there is an increase to ninety-eight and ninety-nine cases of corruption in the village.<sup>44</sup> It can be found that the increase in cases of corruption in village funds in Indonesia occurs due to the weak supervision of village fund management by the Village Consultative Body.

#### **D. Conclusion**

The accountability of village officials is an important part in managing village funds. Based on the results of field data analysis, several villages in West Java, especially villages that have a good assessment of village financial administration, the villages have applied the principles and norm in the management of village funds. However, there are some villages with officials who do not have full integrity to carry out their rights and obligations in accordance with the village fund management guidelines, as per Minister of Home Affairs Regulation Number 113 of 2014 on village financial management. In addition, there is still no specific regulation regarding the format of village fund reports and compilations, as an integral part of the principles of good village fund management by village officials.

In addition to the accountability of the village officials, another important part in managing village funds is the supervisory function carried out by the Village Consultative Body (BPD). The BPD has a role in discussing and approving the Draft Village Regulation with the Village Head, accommodating, and channeling the aspirations of the village community, and supervising the performance of the village head. However, the supervisory function becomes weak when the head of the BPD and the members are the family members of the village officials who have the power to use the budget. The position of the village officials and the BPD members is not only an institutional relationship but there are other interests that

<sup>43</sup> Dewi Kania Sugiharti, *op.cit*, p. 20.

<sup>44</sup> Ardito Ramadhan, "Corruption Rises in Villages, ICW Asks Government to Completely Complete Fictitious Village Cases", Kompas, <https://national.kompas.com/read/2019/11/18/07495541/marak-korupsi-di-desa-icw-minta-government-usut-tuntas-case-desa-fikik?page=all>, accessed on January 27, 2019.

lead to the misuse of village funds. One of which is the management of village funds that are against the law.

Based on the description of the discussion, it is suggested to add rules regarding the format of village fund reports and compilations in the Regulation of the Minister of Home Affairs Number 113 of 2014 on village financial management. In addition, in maintaining the independence of village government officials, both village officials and related institutions that have a supervisory function need to be selected from professionals who have no political interest in managing the village funds.

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