SUPERVISION OF VILLAGE FINANCIAL MANAGEMENT: WILL IT BE IN PARALLEL WITH THE DEVELOPMENT OF VILLAGE OFFICIALS? (A STUDY OF NORTH SUMATRA PROVINCE)

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ABSTRACT

Objectives: The objectives of this research are to analyze the implementation of an effective supervisory model in the financial management of the village so that there is no corruption in the village's finances. And to analyze the evaluation of the effective financial supervision model of that village.

Theoretical Framework: Agency theory is the grand theory in this study related to village financial management. The theory used for supervision is Accountability and Principal Agent Models, supported by the use of corruption detection theory and the government's Internal Control System.

Method: Researchers chose qualitative descriptive research because its practice is not limited to collecting and classifying data; it also includes analyzing and interpreting the meaning of data. The types of data collected are primary data and secondary data. As from the primary in this study are the words and actions of the people being observed.

Results and conclusion: Implementation of effective supervision models in the administration of the villages' finances requires a combination of strategies such as improved government audits, enhanced participation of the grassroots, increased transparency and accountability, improved supervision, the provision of guidance and training, and the use of technology. These strategies can help prevent financial corruption and ensure that village funds are used for the benefit of the public.

Originality/value/novelty: The novelty of this research suggests that supervision does not stand alone, but must go hand in hand with the coaching process. supervision accompanied by proper coaching will create effective village financial management so as to reduce the occurrence of corruption in village financial management.

Keywords: village fund, supervision of village fund, financial governance of the use of village funds.

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SUPERVISÃO DA GESTÃO FINANCEIRA DAS ALDEIAS: SERÁ PARALELAMENTE AO DESENVOLVIMENTO DOS FUNCIONÁRIOS DAS ALDEIAS? (UM ESTUDO DA PROVÍNCIA DE SUMATRA DO NORTE)

RESUMO

Objetivos: Os objetivos desta pesquisa são analisar a implementação de um modelo de supervisão eficaz na gestão financeira da aldeia para que não haja corrupção nas finanças da aldeia. E analisar a avaliação do modelo de supervisão financeira eficaz dessa aldeia.


Método: Os pesquisadores escolheram a pesquisa descritiva qualitativa porque sua prática não se limita à coleta e classificação de dados; inclui também a análise e interpretação do significado dos dados. Os tipos de dados coletados são dados primários e secundários. A partir das primárias deste estudo estão as palavras e ações das pessoas observadas.

Resultados e conclusão: A implementação de modelos eficazes de supervisão na administração das finanças das aldeias requer uma combinação de estratégias, como auditorias governamentais aprimoradas, maior participação das bases, maior transparência e prestação de contas, melhor supervisão, fornecimento de orientação e treinamento e o uso de tecnologia. Essas estratégias podem ajudar a prevenir a corrupção financeira e garantir que os fundos das aldeias sejam usados em benefício do público.

Originalidade/valor/novidade: A novidade desta pesquisa sugere que a supervisão não é autônoma, mas deve andar de mãos dadas com o processo de coaching. Supervisão acompanhada de coaching adequado criará uma gestão financeira eficaz das aldeias, de modo a reduzir a ocorrência de corrupção na gestão financeira das aldeias.

Palavras-chave: fundo de aldeia, supervisão do fundo de aldeia, governança financeira do uso de fundos de aldeia.

1 INTRODUCTION

Indonesia is famous for its natural wealth and cultural diversity. It contributed to the emergence of various nicknames for Indonesia all over the world. Nusantara is one of his nicknames. This nickname is given because of the number of islands in Indonesia. By 2021, Indonesia will have more than 17,000 islands, mainly in Sumatra, Java, Kalimantan, Sulawesi, and Papua. It is not surprising that Indonesia is called an island state because of its huge number of islands. The country consists of provinces, districts/cities, counties, villages, and counties. The Central Statistical Agency (BPS)

"Building Indonesia from the suburbs by strengthening the areas and villages within the framework of a united state" is one of President Jokowi’s Nawacita (Presiden Republik Indonesia). A country's development process must occur in an integrated and sustainable manner (Hazin et al., 2023). One way to advance the village is to give it funds. The village funds are given to improve the well-being and degradation of village development by improving public services, developing the economy, addressing development disparities between villages, and strengthening the village community as a subject of development.

To improve community services, such as shelter, strengthening the village institutions, and other activities required by the village community, the villagers generate village funds for each village. Good leadership and management are required to have a village fund. The village's strong human resources and public attention to the administration of the income and expenditure budgets support it. According to Village Act No. 6 of 2014, the state is responsible for maintaining and strengthening the village to be strong, advanced, independent, and democratic. Villages can realize their development and strength through village funds to create just and prosperous societies.

One of the most important elements is the availability of the Village Fund. As described in detail in PP No. 60 of 2014 and PP No. 22 of 2015, the village fund is a fund derived from the APBN that is allocated specifically for the development of the village. The mechanism of the Village Fund is one of the most distinctive when considering the change in the development perspective, which places the Village as the main point of development. The numbers are undeniable. While the amount allocated to the Village Fund in 2016 was Rs. 47 Trillion, on average every village—of more than 74,000 villages in Indonesia—will receive a disbursement of around Rs. 700 million per year from the program. This number will continue to rise with the strength of the APBN in the next year.

Monitoring and evaluating the village funds is a vital part of ensuring that the funds are used properly (1). All activities funded by the village fund are planned, run, and evaluated openly with the entire village community, with administrative, technical, and legal considerations. The intergovernmental process enables this to happen. Reports not
submitted by the village to the head of the district, district, or town to the Finance Minister will be punishable. The sanction is to stop the broadcast until the report is received.

With the launch of this village fund, a new paradigm was created in the village's financial management. All the organizers of the village government should be given greater responsibility for managing the village's finances with the noble goal of improving its competitiveness. The financial control of the village should not be regarded as a risk-free process. According to the Warta Pengawasan BPKP (2015), the village's financial management needs to be reconsidered (Badan Pengawasan Keuangan dan Pembangunan, 2015). According to current legislation, the village's financial management system is similar to the provincial, district, or city's APBD management system (Rozikin & Sifwani, 2023). This also applies to asset management issues. Deviations are still common in the administration of provincial, city, or district APBD that is supported only by more experienced and qualified staff.

The village has the authority to manage its finances based on its authority, so the role of the village's financial supervision is crucial in achieving the success and progress of a clean and corruption-free village government (Purba et al., 2021; Segandykova et al., 2023). Results of BPK-RI TA. 2015 s/d semester I of 2018 in 80 districts, 5 cities, and 1,006 districts in 33 provinces across Indonesia found major problems in the management of village funds, both in the construction and supervision aspects. https://www.dpr.go.id/berita/detail/id/25283/t/Pengelolaan+Dana+Desa+Masih+Bermasalah.

The governance of the village funds is not completely free from corruption (Roman et al., 2023). Every year, the rate of corruption increases. The practice of corruption in the village device is in the third highest rank, behind only the ASN and the private sector. Between 2015 and 2020, 676 indictees in corruption cases came from village devices, according to Indonesia Corruption Watch (ICW). All this leads to village budget corruption. The majority of the perpetrators of corruption are villagers. Planning and meltdown are two examples of vulnerable situations. The following factors lead to the corruption of the village funds: incompetent village apparatus, lack of transparency and supervision from the government and the public, and interference of superiors in the implementation of unplanned physical activities.

The Attorney-General, the police, the Internal Inspection Unit of the Government (BPKP, Inspectorate General of the Department), and the Financial Supervisory
Authority have greatly influenced the success of the fight against corruption. The role of the associated institutions is also very important. Another requirement to be met is the existence of legislative provisions that provide a place or position for the public to carry out surveillance, which will provide data and information useful to the entire institution concerned to follow up on it. Public involvement alone would not be enough without this provision. Given the widespread practice of corruption in Indonesia, an attempt to deter corruption cannot have to involve all the existing components. As the smallest unit of the village government in the process of refining the government of the Republic of Indonesia is directly connected with its constituents, then the village's position in the implementation of construction has a very important meaning.

As an APIP, the Inspectorate acts as a Quality Assurance that ensures that an activity can run effectively, efficiently, and by the rules in achieving the goals of the organization. The implementation of its supervisory duties is to take preventive measures or attempts to prevent errors in the implementation of the program and its activities by the SKPD.

Some of the problems that occur in the process of supervising village financial management are that the implementation of village expenditures is not fully used by what is estimated in the village APB because, starting from the planning of the budget, it does not correspond to what is in the village APB with the facts on the field. There is a repetition of budget within the village APB, so there is a potential violation. There are still villages that do not understand the VillageAPB, which is a guideline in the implementation program of activities. This is because it is not the village that makes the APBDesa plan that fits the conditions of the village. There are still many heads who do not know the financial management of the use of village funds. Previous research stated that the Regional Inspectorate in the Province of North Sumatra could improve its function not only as a supervisor but also as a construction function (Br Purba et al., n.d.). So the village apparatus can improve its knowledge about the responsibilities of the village’s financial management. So the findings from the review won’t happen again in the next review.

From some exposure to these problems, the following research questions arise: how to implement an effective supervisory model in the financial management of the village so that there is no financial corruption in the village? And how is the evaluation of the village’s effective financial supervision model?
The objectives of this research are to analyze the implementation of an effective supervisory model in the financial management of the village so that there is no corruption in the village's finances. And to analyze the evaluation of the effective financial supervision model of that village.

2 THEORETICAL FRAMEWORK

2.1 PRINCIPAL-AGENT THEORY AS A FORM OF SUPERVISION

The importance of supervision can also be seen from the perspective of the Principal-Agent theory used to analyze the relationship between the principal and the agent (Braun et al., 2019; Jensen & Meckling, 1976). This theory emerged because management is separated from financial service providers and other stakeholders, so a mechanism is needed that protects the interests of each party. Both the party giving the trust (principal) and the party receiving the trust and running it (agent).

In the context of supervision, the party giving the authority (principal) is not completely sure that the party given the authority (agent) will do the best thing for the person giving the authority. As a result of this distrust, the party giving the authority requires supervision which is known as agency costs. Agency fees consist of two: audit fees and contract fees. The costs of overseeing and designing contracts or binding to ensure agency behaviour as the principal wishes increase with higher trust. According to this "principal-agent theory", the agent, who should only do things that benefit the principal, can prioritize his interests excessively because he is in a position protected from the direct supervision of the principal. This leads to acts of abuse of authority (moral risk issues) (Cohen, 1977; Dutta et al., 2016; Keane, 2014; Kloyer et al., 2019). If the
Principal-Agent concept is viewed more broadly in the context of government and the state, the public wants to know whether the government serves their interests or only their own/officials’ interests. Supervision is considered to have a basic function to help ensure that human behaviour in the organization remains in line with organizational goals. If the monitoring system runs well, goals will be realized more quickly, cheaply, and more easily achieved with an atmosphere of openness, honesty, and transparency in the organization (Kolstad & Wiig, 2009).

In a more specific definition of supervision, audits are needed because audits have a very large influence on information risk and deviations from planned performance. Information risk reflects the possibility that the information obtained regarding decision-making is inaccurate. Audits must be able to provide confidence in the reliability of information to information users (Purba & Umar, 2021). Apart from that, audits are needed to minimize the risk of implementing activities that are not economical, efficient, and effective because management is not disciplined or adheres to the policies that have been outlined or fraud and misappropriation.

The history of the development of modern social, political, and economic organizations has proven the importance of the audit function in realizing organizational success and progress (Umar, 2006, 2012). The audit function is an effort to bridge the will of the community which demands that the activities of an organization (state) be carried out by its expectations with the freedom that management (government) has to act outside the will of the community. From the realization of this audit function, it is hoped that there will be an assurance that the activity information (reports) submitted by management have been tested so that the level of reliability and suitability can be determined. Furthermore, to maintain relations between organizational members (society) and management (government), the creation of an audit function is seen as the most economical and practical approach or solution (W. Wallace, 1980; W. A. Wallace, 2004).

Nowadays it is difficult to find social and economic organizations and state governments that are oriented towards the democratic rights of their members that exist without monitoring/auditing institutions. Thus, audit is a very instrumental function in realizing clean, transparent, and responsible government (clean and good government) (Sari & Winarno, 2012; Widodo et al., 2018). Supervision is the meaning of ownership and direction over the running of the company, which is then further elaborated in several
terms, namely inherent supervision, preventive supervision, and repressive supervision (Arini et al., 2017).

3 RESEARCH METHOD

Research methods can be interpreted as tools for answering questions to solve problems. Deciding on the research method will determine how scientifically the research results can be justified. This research is qualitative descriptive research which is a method focused on solving problems that exist today (Haryono Umar et al., 2021; Sugiyono, 2016). Researchers chose qualitative descriptive research because its practice is not limited to collecting and classifying data; it also includes analyzing and interpreting the meaning of data.

The types of data collected are primary data and secondary data. As from the primary in this study are the words and actions of the people being observed. From the results of interviews and observations who participated in this study. While secondary data is obtained in the form of written documents, pictures, and photographs. The data collection technique used is a combination of several techniques, namely; 1. Observation (Direct Observation) This is the technique of direct observation of the object under study, the aim is to provide data that supports the problem. 2. Deep Interview, namely the process of obtaining information for research purposes by direct questioning and answering employees who are sampled in research. 3. Documentation, namely the process of collecting data through notes, documents, or archives from the service being studied. 4. Focus group discussions (FGD) are a very popular data collection method today in social research (Sugiyono, 2016).

The use of focus groups (FGD) for qualitative data collection is widely known because it allows researchers to be open, trust, and understand the perceptions, attitudes, and experiences of informants. FGD allows researchers and informants to talk about very specific problems openly and not stiffly. FGD also allows researchers to collect information from participants with different backgrounds quickly and usefully. In addition, group dynamics during discussions often provide important, interesting, and sometimes unexpected information. In data analysis, the interactive model developed by Miles and Huberman uses three important steps carried out during the data collection process: data reduction, data delivery, and data verification. These three steps are carried
out repeatedly to create relationships before, during, and after data collection (A. Michael Huberman & Matthew B Miles, 2002).

4 RESULT AND DISCUSSION

4.1 IMPLEMENTATION OF AN EFFECTIVE SUPERVISORY MODEL IN THE MANAGEMENT OF THE VILLAGE'S FINANCES SO THAT THERE IS NO CORRUPTION IN THE VILLAGE

The District Inspectorate is the Internal Oversight Apparatus of the Government (APIP) whose one function and authority is oversight. Implementation of its supervisory duties is to take preventive action or attempt to prevent the occurrence of errors in the implementation of the program. The Regional Inspectorate also acts as Quality Assurance, which is to ensure that an activity can run effectively, efficiently, and by the rules in achieving the goals of the organization (Herlinda et al., 2021). The inspectorate's presence in helping the public and being on the side of the public in promoting the creation of transparency. Transparency and accountability are forms of assurance and give people confidence in the government. The Inspectorate, as the supervisory body, must involve the public at every level. Here is an effective supervisory model in the management of the village's finances so that there is no corruption in the village (Purba et al., 2022).

Picture 2. An effective supervisory model in the management of the village's finances so that there is no corruption in the village


Supervision is a form of inspection or control over an activity to determine and assess the implementation of that activity, in this case village financial management. The implementation of regional government activities, especially village government, is realized in supervision. Linking supervision with guidance is a very effective approach to ensuring transparency, accountability, and continuous improvement in village financial management. This method not only focuses on identifying problems but also seeks to understand the root causes and provide constructive solutions. Supervision must start by identifying problems or potential risks in village financial management. This could involve analysis of financial reports, public reporting, or audit findings. Once the problem is identified, the next step is to analyze the root cause of the problem. Once the root cause is identified, constructive and sustainable solutions need to be developed. This may involve changes in processes, policies, or governance. Conduct training for all parties involved in managing village finances to ensure a deep understanding of correct procedures, principles of good governance, and work ethics.

When doing so, supervision should not only focus on finding errors but also provide constructive input for improvement. Village staff or parties involved to understand where things went wrong and how to prevent them in the future. Involvement of all parties in the improvement process, namely village staff, communities, authorities, and external parties such as independent auditors or non-governmental organizations. Give awards and recognition to those who have contributed to improving village financial governance in preventing corruption. This can be a positive incentive to do your best. Build a culture where coaching and learning are important. This creates an environment where continuous improvement is a common goal. To create a more cooperative environment and support efforts to prevent and improve village financial management.

4.2 EVALUATION OF AN EFFECTIVE VILLAGE FINANCIAL SUPERVISION MODEL

To implement an effective supervisory model in village financial management and prevent financial corruption, several strategies can be considered based on the references provided.

1. Increase government audits: Increased government audits can reduce corruption in village projects. By increasing the percentage of projects audited
from 4% to 100%, lost expenses can be reduced. This top-down monitoring approach can be effective in highly corrupt environments (Olken, 2007).

2. Strengthening grassroots participation: Although increasing grassroots participation in monitoring may have a limited impact in reducing corruption, it can be effective in situations where free-rider problems and elite capture are limited (Olken, 2007). Therefore, a combination of top-down monitoring and grassroots participation can be beneficial.

3. Increasing transparency and accountability: the importance of managing village finances in a transparent and accountable manner. Transparency can minimize irregularities in financial management, and accountability ensures that resources are used for the welfare of village communities. This can be achieved by applying the principles of transparency, accountability, and participation in village financial management (Wayan Novi Budiasni & Made Sri Ayuni, 2020).

4. Improve oversight and oversight: Effective oversight and oversight is essential in preventing corruption in the management of village funds (Kartiko Kusumo et al., 2022). Highlighting the positive influence of the quality of supervision on village financial management performance (Triyono et al., 2019).

5. Provide guidance and training: A lack of coaching and supervision, as well as a lack of human resources in charge of managing village funds, can contribute to corrupt practices (Triyono et al., 2019). Therefore, providing guidance and training to village officials and those responsible for managing village finances can help prevent corruption (Widyawati et al., 2021)

6. Utilizing technology: It is hoped that the concept of e-government can be applied in managing village funds to increase efficiency and transparency. Technology can be used to simplify financial processes, increase accountability, and facilitate monitoring and reporting (Meilany et al., 2019).

5 CONCLUSIONS AND SUGGESTIONS

Implementing an effective supervisory model in village financial management requires a combination of strategies such as improved government audits, enhanced
grassroots participation, increased transparency and accountability, improved supervision and supervision, guidance and training, and the use of technology. These strategies can help prevent financial corruption and ensure that village funds are used for the benefit of the public.
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