

Evaluation on Village-Fund Management

A Case Study at the Lembang Sub-districts, West Bandung Regency

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Abstract: One of priorities in village development fund as stated in the Regulation of Ministry of Village No 4 of 2017 is to finance some village development programs and empower the villagers. Regarding this issue, the study aims to identify and evaluate problems found in village fund management programs. To get an in-depth analysis, a qualitative method with case study design was conducted in Lembang sub-district, West Bandung Regency. Three research instruments were collected namely field observation, Focus Group Discussion (FGD) and interview with village government officers, particularly, for those who involved in managing the fund. The result of data analysis shows that the village officers seem to have a lack of knowledge and experience related to village fund development management. This is due to some problems dealing with inappropriate implementation procedures because the officers do not understand the regulation well. It can be seen from the officers' mismanagement to the fund which left mechanism of creating priority. Therefore, to overcome this problem, it is necessary to optimize the role of fund consultant to guide them in planning and managing the fund appropriately.

1 INTRODUCTION

Decentralization Era of Regional financial management is characterized by the implementation of regulation no 32 of 2004 of Regional Government. By this law, every Local Government gets an authority to manage its own wealth. Since the regulation No. 6 of 2014 has been employed, it is not only the Local Government who gets it but also a Village Government as the smallest part.

As an important issue related to this regulation, it leads to the polemics of "pros" (agree) and "cons" (disagree) with the regulation. Issues on regional autonomy, especially in the Village and its surrounding regulations, are an interesting issue to be studied further (Utomo and Wahyudi, 2008). Historically, village is the first form of social institutions before Indonesia was transformed to be Republic of Indonesia in a sense of Unitary State of Indonesia Republic (NKRI) (Act no 6/2014). This regulation is supported by Chamber as cited in Eko (2014) who explains that Indonesia is a country developed based on village development or known as Tut Wuri Handayani. In Indonesian context, village exists before a monarchy state which now has been transformed to be a unitary state. In a unitary state,

various regions are integrated in a nation. Since its transformation, several regulations have been formulated to improve a village financial management. The government has tried to make an effort in order to upgrade and expand village financial management which aims at reducing a gap between rural and urban development.

One of alternatives to reduce an unequal development between the urban and rural areas, the government arranges a Village fund allocation (ADD; Alokasi Dana Daerah) program. It is a financial support -for about 1billion- allocated by the government to develop a village. It is such a big number of money for a village as a small region. Moreover, the number of fund allocation will be increasing year to year meaning that a village will obtain incomes from several sectors including village basic income, revenue sharing and district distribution. All of them are part of central and regional financial balance received by a Regency/city which is budgeted from National Expenditure Income Budget (APBN/ Anggaran Pendapatan Belanja Negara), financial aid from provincial and District Regional Expenditure Income (APBD: Anggaran Pendapatan Belanja Daerah) as well as non-binding

grants and donations from the third parties (PP NO 60 of 2014).

Through that current regulation, nowadays, a village can receive much more fund compared to the previous village finance allocation of tens or hundreds millions altogether. Therefore, additional fund is expected to be able to improve the village development programs including to support programs related to rural people empowerment (Faozi, 2015). On the other side, some people are worried about this new regulation that potentially misleads village officers to use the money through inappropriate way and bring them to deal with such a criminal case (Wiyanto, 2014).

Rural government officers such as the head of village and his staff may find it difficult because they do not have a sufficient competence to manage it well in accordance with the regulation. The competencies needed involve managing administration, reporting, and accountability of the village finances (BPKP, 2015). Therefore, it is quite risky for the officers to make some mistakes either in administrative and substantive process that may lead them to a legal case. On the other side, village government gaining some additional fund is obliged to manage their finance by being transparent, accountable and free from misuse of the fund. To use the fund, the village officers must do planning, implementing, supervising, and reporting the fund expenditure at the end of the program. It should be noticed that the village planning is designed in accordance with its city planning. Many parties play a role to the success of this financial management including a good quality of human resource. However, it is found that the local government officers in Indonesia are generally incompetent to handle all the tasks related to financial management skill (Sidik, 2002).

In contrast, in the process of financial accountability in administration management, human resources competence is considered as the main problem (Subroto, 2009) since the people capacity in the village is not propositional (Yuliana, 2013). In line with this, Ministry of Finance also claims that rural officers are not ready yet to receive and manage the village fund budget (Basri, 2014). This is due to the factual condition that shows the rural officers do not have adequate capacity and skill to do such management tasks.

West Bandung District is one of autonomy area in West Java. According to law of Indonesia Republic No. 12 of 2007, it reveals that West Bandung district is a result of expansion program in Bandung city area; while, Lembang is the sub- district of West Bandung. Like other villages, all villages in Lembang also

receive Village Finance from central government at which the number of fund in 2017 is higher than the previous years. This year, central government allocates more than one billion for each village to develop rural areas including for empowerment of rural communities. Besides, being a good opportunity for village development, it also challenges all rural government officer to manage it optimally as managed in the regulation. By doing so, it may empower a better quality of human resources in village area.

Empowering community must be run in line with allocation of each expenditure items to make people more productive. In addition, aspect of financial management is also crucial to avoid mistakes in process of managing village finance management. It can be done through evaluating problems occurred in the management of village fund. Therefore, the researcher aims to identify and evaluate problems of village fund management in District Lembang, Bandung, West Java. This study aims at providing information and data for the government related to village readiness in managing additional fund from the central government. Besides, it is also aimed to prepare their understanding in accounting system applied in current village fund management. The result of this study is expected to be a guidance for the rural officers to be able to do a good financial management starting from recording data until reporting reliably the data, and on time.

2 THEORETICAL FRAMEWORKS

2.1 Village Finance Management

According to Regulation of the Minister of Home Affairs Number 113 of 2014, Village is clearly defined as a legal community unit with a territorial boundary authorized to regulate and administer government affairs, the interests of local communities based on community initiatives, rights of origin, and / or traditional rights recognized and respected in the system of government of the Unitary State of the Republic of Indonesia. Furthermore, the management of village finance is the whole activity involving planning, implementation, administration, reporting, and accountability of village finances.

The cycle of village finance management covers several stages namely planning, action, administration, reporting, and yearly accountability report in 1 January until 31th of December. The

following diagram describes the cycle of village finance management:



Figure 1: Village financial management cycle.
Source: Village Finance Management Module, Pusdiklatwas BPKP

2.2 Village Budget

Under the decision of the Minister of Home Affairs Regulation No. 113 of 2014 defines a village budget as a budget which is gained from the State Revenues and Expenditures Budget for the Village. That fund is given from the Regional Revenue and Expenditure Budget that aims to finance some government implementation programs namely: community development and empowerment of the village officers. In addition, the village income and expenditure are currently included in Regional Income and Expenditure Budget (APBD which is considered as an annual financial plan of the village government in which hereinafter become the Regional Income and Expenditure Budget (APBD).

2.3 Administration

Administration is one of financial village process that should be conducted by the village officers. According to a module of village financial management provided by the Center of Training and Education Supervision from Financial and Development Supervision Institution (Pusdiklatwas BPKP), administration is explained as an

administrative process that notes all economic activities in the village and it is documented by a village treasurer using registration forms/document/book. Moreover, the administration of village finance involves administration of village income, village expenditure and finance, financial administration document, village treasurer's report, and activity report.

2.4 Reporting Village Financial Management

Reporting financial management includes all aspects dealing with providing and presenting financial information. It also explains that process of reporting village finance management is officially regulated in the Minister of Home Affairs Regulation No. 113 of 2014 of the fourth section of Article 37 that is described as follow:

- The Head of Village should submit a report about implementation program of the Village Income and Expenditure Budget (APBDesa) to the Regent / Mayor in the form of:
 - a. First semester report; and
 - b. end year semester report
- The first semester report defined in paragraph (1) point (a) is referred to a report in the realization of Village Income and Expenditure Budget (APBDesa).
- The report on the realization of the Village Income and Expenditure Budget (APBDesa) program defined in paragraph (1) point (a) must be submitted no more than the end of July in the current year.
- The report of the end year report as referred in paragraph (1) point (b) must be submitted no more than the end of January of the following year.

3 RESEARCH METHODS

This study employed a descriptive qualitative method as a research design. Data were collected by using three instruments, namely interview, observation and documentation. In order to analyze the collected data, that method proposed by Milles and Huberman in Sugiono (2009, p.16) covering data reduction, presentation, and conclusion. Moreover, this study was conducted in Lembang District, West Bandung Regency which involved some respondents, namely:

- xxx,
- Head of Community Empowerment and Rural Office of West Bandung Regency,

- xxx,
- Secretary of Village and Community Empowerment of West Bandung Regency.

4 RESULTS AND DISCUSSION

4.1 Accountability of Rural Fund Management

There is a change of organizational structure in District Government of West Bandung. It was previously under the authority of the Community Empowerment and Rural Governance, but now it has changed its status into an official department. It can be seen from the statement of the Head of Community Empowerment and Rural Governance who claim that:

Rural government should understand this situation, especially for certain regulations which govern administration process.

Generally, the amount of Fund Allocation in the village is different one from another. It depends on the number of people, width of area, level of poverty, and Geographical Difficulties Indexed according to data taken from the Indonesia Finance Ministry. Village Fund Allocation (ADD) comes from balancing fund after reducing special allocation fund received by the region in accordingly with the local government policy. Therefore, the village fund can be allocated to pay fixed income for village officers.

Out of 16 districts, West Bandung Regency (KBB) has 165 districts. The government allocates fund for each village in West Bandung Districts in 2017 for about 2 billion. This fund is obtained through some sources such as village fund allocation and shares from tax and region retribution. Disbursement of fund is applied after the accountability of year 2016 has been submitted to the Central Government (BAPPED, 2017).

Region government of West Bandung District attempts to encourage the village officers to complete their annual report so that the disbursement of fund can be done early. To help the village officers, the region government facilitates them by providing official consultant to give guidance and assistance in completing the report as stated by one of respondents below:

All needs should be noted in the Village Income and Expenditure Budget (APBDes). It is aimed to deploy all funds given to be appropriately spent.

Ideally, the process of fundraising is not a big problem for a village since the central government has a set of policy for village which consists of some procedures to collect fund. However, the fundraising process can be only started after all villages have submitted their annual reports to the local government as its requirements.

On the other hand, the verification on empirical data reveals that in West Bandung District there are only 16 villages out of 30 villages which have fulfilled the administrative requirements to write the Village Income and Expenditure Budget Report (APBDes). The minimum number of villages which has submitted their report is due to process of adjustment experienced by the villages since a current regulation from Ministry of Village no 22 of 2016. The regulation decides a priority scale for village fund expenditure in 2017 as explained by one of the respondents below:

It may be caused by the new regulation from the Ministry of Village which changes the structure of village officers and other policies related to Human resources. It also happened in other villages.

The requirements for getting village fund cover several documents namely sub-district heads, copies of village regulations on the Village Government Work Plan (RKPDs) and the Village Income and Expenditure Budget (APBDes), copies of district decisions, village administration reports, and village bank accounts.

4.2 Guidance and Supervision

The West Bandung Regency (KBB) local government has made a number of efforts to accelerate stipulate village regulations on the Village Income and Expenditure Budget (APBDes). One of the efforts is through launching events for disbursement of village fund activities. The program is expected to be able to motivate other villages in completing their reports. It is stated by one of the respondents below:

It depends on the Head of Village and readiness of each village. So, we will not wait for all the villages to be ready. The launching is considered as a symbolic in order other villages are motivated.

Besides conducting launching events, the Village and Community Empowerment (PMD) office also

asks the sub-district heads to form an evaluation team of the Village Income and Expenditure Budget (APBDes), because the sub-district is authorized by the Mayor to evaluate the Village Income and Expenditure Budget (APBDes). Some points need to be evaluated are priority scales of village fund, budgeting plan for the physical activity of the village fund, and fixed income of village heads, village officers, and treasurer.

The result of Village Income and Expenditure Budget (APBDes) is written in a daily report which provides inputs for making decision related to Village Income and Expenditure Budget (APBDes). If the head of sub-district does not launch the decree in 20 days after it is submitted, then the village regulation related to Village Income and Expenditure Budget (APBDes) can be decided. However, according to the interviewee, the total number of fund allocated for all villages in West Bandung Regency is about 152 billion rupiahs, in 2017. In contrast, the village itself allocates its fund for only about 118 billion rupiahs. However, most of villages in West Bandung Regency receive the village fund in the total of 900 million rupiahs. Once a village has already disbursed the village income from the transferred fund then the village budget raises to be about Rp1,5 - 1,9 billion. By utilizing that amount of money, every village can use it for benefits of development, both physically and non-physically. As the respondent stated below:

A village head as the holder of the financial and asset power of the village should be able to optimize the fund for the benefit of the community. Do not get reports of budget lapses or even corrupted for personal gain. You see, along with the increase in the budget in the village, the demand for transparency is also higher.

In village financial management, the role of the Head of village is very crucial. Being the Head is not only being a facilitator but also the one who prepares plan and must be able to accommodate all the potentials in the village. Decision in financial management is not an individual decision but a joint decision of all village elements.

The Village and Community Empowerment (PMD) Office of West Bandung Regency has tightened the use of village fund. This is done to prevent errors in reporting the financial management at the end of the year. In accordance with the regulation of the Village Minister, village fund can merely be used for development and empowerment activities. Meanwhile, community and government programs can spend fund from other sources of

village incomes. In fact, distribution of village fund from the central government has not touched a single village in West Bandung Regency until June. Some findings indicate that there is still discrepancy in expensing the village fund, as revealed by the following respondent below:

However, from the village submission report it is found that some villages did not follow the minister regulation because they build a mosque. It should be verified by a team from the sub-district. You see, I've made a letter twice to the sub-district heads regarding the disbursement of the village fund.

Other efforts undertaken by the Office of The Village and Community Empowerment (PMD) to follow the regulation is through caring out technical meetings, mentoring, technical guidance related to the administrative affairs of village fund. However, the errors are still found in the report written by the village government. It leads to the disbursement of village fund being somewhat stagnant. Such efforts are not intended to delay the disbursement of village fund. However, the emphasis is placed on village government that is expected to be more organized in preparing village funding reports. It is stated by the respondent (3) as follow:

In 2016, in the budget realization report, there are some mistakes found in the end year report. Well, we want to prevent that, let the fund of this village is used appropriately, although, the mistakes are sometimes only two or three related to spending the fund. Therefore, we are now more careful when making disbursement process.

Four areas of village government affairs are often suspected to have errors of perception, namely government, development, empowerment, and community. For example, building a mosque is included in community program, but many villages put it as a development program as stated by the following respondent (3):

Or for direct benefits, it's not empowerment, but society. Or for capacity building, it's the entry in government.

4.3 Village Finance System

The government makes some efforts to optimize the financial management in the village, the Office of Community Empowerment and Village of West

Bandung Regency plans to apply the online-based Village Financial System (Siskeudes).

With the electronic application, the use of village finance, including those from village fund, can be more controlled as revealed by the following respondent (2):

For the financial management of this village, I want to make it online. So, all villages should access Siskeudes. However, for the facilities and infrastructure it needs to be coordinated with the Office of Communications, Informatics, and Statistics. With the Siskeudes, all activities dealing with spending village fund will be controlled. If there are any delays, too.

As long as the Siskeudes have not yet been implemented, West Bandung Regency Administration conducts a technical guidance (Bimtek) to the village officers, especially for the village treasurer and the village secretary. The management activities include the planning, implementation, administration, reporting, and accountability of village finances. Those activities aim to make the documents related to village finances to be better organized as explained by the following respondent (2):

You see, human resources in the village are still limited. There are indeed village heads who are professors, but there are village heads who only have high school degree as well ... If planning is not in accordance with the implementation, it can lead to irregularities. Hence, Bimtek also must be comprehensive.

In addition, to optimize Siskeudes, The Village and Community Empowerment (PMD) also assigned to improve the role of the village fund consultant. Each village was accompanied by approximately four consultants. The village consultant is responsible for monitoring the accountability of village fund. Guidance and assistance are done from the disbursement of the first stage Village Income and Expenditure Budget (APBdes) to the third stage of the accountability evaluation. However, in this case, the Village and Community Empowerment (PMD) do not have the authority to audit the village financial management as underlined by respondent (2) below:

The one who has the authority to audit the fund management is the Inspectorate. When the Inspectorate conducts regular monitoring, there will be feedback that should be followed up by the

village government...to prevent repeating the same mistakes.

Siskeudes application also facilitate the district government, West Bandung in doing financial control in the village since an assessment of financial management of Regency government performance is influenced by a well-managed fund in the village as stated by respondent (4) below:

When West Bandung Regency want to achieve unqualified predicate from the Supreme Audit Board, the financial administration in the village must also be well organized.... You see, the Village Budget and Expenditure (APBDes) is an additional fund obtained from the Regional Income and Budget Expenditure (APBD). It is applied through electronic system of village financial management so that the financial spend will be more monitored.

Moreover, a village financial management must also be transparent. Several ways to make it can be done by displaying the village fund report in a billboard.

Besides, West Bandung Regency has a plan to install a digital screen for any information related to the management of village fund later.

5 CONCLUSIONS

The result of this study shows that most of village officers still have limited knowledge and experience related to planning and developing the village fund management. The management of fund in most villages so far has not been conducted as stated in the regulation. In fact, the findings show that there is no mechanism priority for expenditure decision making found in the village development plan. The results also recommend that it is important to improve the role of financial consultants who can help the village to manage the fund more orderly. Therefore, they understand how to manage the fund optimally started from planning to accountability process of village fund allocation management.

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