

# Optimizing Supervision of Village Fund Management in Lumajang Regency in the Context of Realizing Accountability (Case Study at the Lumajang Regency Regional Inspectorate)

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**Abstract:** The increase in village fund corruption cases in 2022 in Lumajang Regency certainly caused losses to the community. To optimize supervision in village fund management, several things are needed, including strengthening supervision, increasing the capacity of supervisory institutions, utilizing digital technology, establishing effective social and political communication and making changes in legislation. The method of this study is a descriptive study with a qualitative approach. Research results show that the supervision conducted by the Lumajang Regional Inspectorate consists of two types, namely based on annual work programs that are routinely carried out in accordance with the Annual Supervisory Work Program (PKPT) of all Kabupaten Lumajang Inspectorate officials and the supervision carried out based on the results of reports or complaints from The community is related to the management of village funds. Several decisions taken by the Lumajang Regional Inspectorate in supervising village funds include preventing deviations between ensuring benefits that explain that village funds are supervised to ensure that village funds are used properly and correctly in accordance with their designation and are not misused, ensuring compliance through APIP or the Government's Internal Supervisory Service, ensuring appropriate use and ensuring transparency and accountability with several things that must be done to be more optimal. Dispositions on village fund supervision with the appointment of competent and related parties in the management of village funds include regional inspectors, Village Consultative Body (BPD), Ministry of Finance, Ministry of Home Affairs (Kemendagri), Ministry of Villages, Regional Development, and Transmigration (Kemendes PDTT), The Financial Supervisory Agency (BPKP), the Corruption Eradication Commission (KPK) and the village community. The achievements in supervising village funds carried out by the Regional Inspectorate of Lumajang Regency are evidenced by the innovation of the Fraud Risk Control (FRC) supervision information system (SIMWAS). This innovation has succeeded in penetrating the top five of the 2024 Supervision Innovation Competition in the category of Regional Government participants in the competition held by the Financial and Development Supervisory Agency (BPKP) in the context of the 41st BPKP Anniversary.

**Keywords:** Supervision of Village Funds, Village Funds, Misuse of Village Funds.

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## 1. Introduction

Historically, the condition of the country is that there are villages which are the initial part of the formation of society and government in Indonesia. Before the formation of large and modern countries, small social groups

such as villages or indigenous communities were formed which became an important part of a state structure. There are differences between villages, kingdoms or countries in forming an area with one object in common, namely the people.

Before the existence of Law Number 6 of 2014, it was known that the relationship between the center and the regions, including relations with villages, was contained in Law Number 5 of 1979 which tended to be centralistic-autocratic-corporatist in nature, then Law Number 22 of 1999 which was devolutive in nature. -liberal and Law Number 32 of 2004 which tends to fail to bridge differences in views between central and regional governments. Law Number 23 of 2014 concerning Regional Government explains that government affairs fall under the authority of central government affairs and regional government affairs are divided into mandatory and optional affairs. Law Number 6 of 2014 Article 1 paragraph 2 explains that villages as organizers of village government are directly elected by the community through the election of the village head.

Government Regulation Number 12 of 2019 concerning Regional Financial Management in Article 1 paragraph 2 explains financial management including all financial activities starting from planning to the final stage, namely accountability reporting. Regional governments must be able to carry out good financial management and must create an accountable financial management system. Village finances are all village rights and obligations that can be valued in money as well as everything in the form of money and goods related to the implementation of village rights and obligations. Village Financial Management is all activities which include: planning, implementation, administration, reporting and accountability of village finances. Article V of Minister of Home Affairs Regulation Number 20 of 2018 explains that Village Financial Management is supervised by the Regent/Mayor who is coordinated with the Regency/City Internal Government Supervisory Apparatus (APIP).

Based on the Minister of Home Affairs Regulation Number 20 of 2018 which states that Village Finance is all Village rights and obligations that can be valued in money as well as everything in the form of money and goods related to the implementation of village rights and obligations. All activities for managing village finances include planning, implementation, administration, reporting and accountability for village finances. The aim of having a village finance or budget is to overcome poverty and reduce disparities, improve the quality of development planning and budgeting at the village level and empower village communities. Apart from that, it is also to encourage the development of rural infrastructure based on justice and local wisdom.

Law Number 6 of 2014 explains that regulations regarding villages aim to provide recognition and respect for existing villages with their diversity before and after the formation of the Unitary State of the Republic of Indonesia, providing clarity on the status and legal certainty of villages in the Indonesian constitutional system in order to realize justice for all people, preserving and advancing the customs, traditions and culture of village communities and encouraging initiatives, movements and participation of village communities to develop village potential and assets for the welfare of the village. The existence of village funds can create village development and empowerment towards a just, prosperous and prosperous society. Meanwhile, the aim of village fund allocation is to overcome poverty and reduce inequality, improve the quality of development planning and budgeting at the village level and empower village communities, encourage the development of rural infrastructure based on justice and local wisdom, increase the practice of religious, social and cultural values in order to realize increasing social welfare, improving services to village communities, encouraging increased self-sufficiency and mutual cooperation in village communities and increasing village and village community income through Village-Owned Enterprises (BUMDes).

Allocation of village funds is a concrete form of central commitment to village autonomy. Management of village funds in the year can be used for various activities, including handling extreme poverty, strengthening food security, preventing and handling stunting babies, national economic recovery, developing productive economic enterprises, developing tourist villages, improving and consolidating Village SDGs data, improving the quality of resources. human resources of village residents, expanding access to health services and mitigating and handling natural and non-natural disasters. Meanwhile, management in 2024 will be used to handle extreme poverty, food security, reduce stunting, distribute direct cash assistance (BLT) to villages, community empowerment, national economic recovery , operational village government and village and community income. Through this commitment, all parties realize that village funds belong to the village, and are no longer just assistance from

the government as in the previous era. Planning, budgeting and management require a targeted planning system supported by government support and good citizen participation.

However, the management of village funds never runs safely and smoothly. The large amount of village fund budget is very vulnerable to misuse by various parties related to the allocation of these funds. Several factors that cause misuse of village funds include lack of transparency and accountability in managing village funds, lack of community understanding about village development, including village budgets, lack of access to information from village communities regarding village fund management, limitations or unpreparedness of village heads and other managers in managing large amounts of funds. large, the function of the village consultative body (bpd) is not yet optimal in supervising the use of the budget as well as economic factors, family factors, political factors, environmental factors, and factors of weak faith.

Several studies related to village fund management, including Senprianthi and Rahajeng (2023), explain that the causes of misuse of village funds still occur due to factors such as pressure, opportunity, competence, capability and arrogance of village heads. Apart from that, there are weaknesses in the government's internal control system and the resources of village officials who do not understand how to manage village funds and do not understand the control system.

Faiqo, et.al. (2022) explains that supervision of Village Funds is carried out in the form of direct supervision and indirect supervision of the implementation of the Village Fund Budget, as well as obstacles that hinder the BPD in carrying out its supervisory function, including in the form of incompetent human resources and institutionally the BPD does not yet have its own office. This causes BPD members to be less active in carrying out supervision so that the implementation of supervision is not effective enough.

Lakorom, Koton and Mopangga (2023) explain that the supervisory model for village fund management by the inspectorate includes; (a) Supervision planning (determination of a village fund management monitoring team and information gathering); (b). Implementation of Supervision (Audit Work Program and Audit Working Papers); (c). Supervision reporting (Audit Results Report and Recommendations for follow-up on audit results). Meanwhile, the factors inhibiting the supervision of the Bone Bolango Regency Inspectorate regarding the management of village funds include: (a) lack of competent and quality human resources; (b) lack of monitoring facilities; (c) the non-cooperation of the object of supervision still requires strengthening of the Bone Bolango Regency Inspectorate. Narahaubun (2024) explains that the effectiveness of village fund management, the effectiveness of supervision of village fund management is in quite good condition, this is supported by regional government policy factors, and human resource factors, budget factors and facilities and infrastructure factors are in less supportive condition

Sekarwati, et.al. (2023) explained that there are several factors, both internal and external, which are obstacles for the Lumajang Regency Regional Inspectorate to supervise the management of village funds effectively. Internal factors themselves are caused by a lack of human resources in the Lumajang Regency Regional Inspectorate and budget reductions since 2020. Meanwhile, external factors are caused by a lack of coordination with the sub-district authorities and the fraud risk control system which has given rise to several new problems from parties outside the inspectorate.

This supervision aims to minimize misuse in the management of village funds, especially in Lumajang Regency. The results of investigations carried out by the Lumajang Regency Inspectorate and data from the Lumajang District Prosecutor's Office, in 2022 there will be 10 village fund corruption cases handled. This number increased from the previous year which was only 7 cases. In 2023, until November, the Lumajang District Prosecutor's Office has handled 10 village fund corruption cases. The modes that are often used include embezzlement, waste and mark up. The increase in village corruption cases in Lumajang certainly causes losses for the community. Village funds that should be used for village development and community welfare are actually misused by irresponsible individuals.

There are several factors that are thought to be the cause of the increase in village corruption cases in Lumajang. These factors include, among others, lack of supervision over the use of village funds, low public awareness of the importance of supervision of village funds and opportunities for corruption, such as the lack of transparency and accountability in the management of village funds. The second factor is the lack of knowledge of village

heads and village officials regarding good management of village funds. Village heads and village officials are usually people who are elected through village deliberations, not based on their competence. As a result, they do not have adequate knowledge about good village fund management. This makes them more vulnerable to corruption. The third factor is the low level of public awareness about the importance of monitoring village fund management.

The community often does not care about the use of village funds. As a result, individual village heads and village officials can easily commit corruption without anyone monitoring them. For example, the Head of Sumberanyar Village, Rowokangkung District, Ahmad Hendra Jaka Kumbara, was suspected of committing a criminal act of corruption in village funds from 2020 to 2021 for his personal interests and causing losses to the state of up to IDR 511 million. (Data source: Lumajang Regency Regional Inspectorate report, 2024)

The government needs to strengthen supervision over the use of village funds, increase public awareness of the importance of supervision of village funds, and reform village fund governance. The community also needs to play an active role in monitoring the use of village funds. Law enforcement officials need to take firm action against perpetrators of corruption in village funds. The Regional Inspectorate is a regional apparatus as a regional government supervisory unit, which is led by the Inspector. In carrying out the Inspectorate's duties, he is directly responsible to the Regent through the Regional Secretary. Government Regulation Number 18 of 2016 concerning Regional Apparatus in article 33 explains that the Regional Inspectorate has the task of assisting the regent in carrying out guidance and supervision in the implementation of government affairs.

One of the materials in the Letter of the Minister of Home Affairs Number 700/1281/A.1/IJ which was issued on 22 December 2016 concerning Guidelines for Supervising Village Funds, is to strengthen the role of Regional Inspectorates in Supervising Village Fund Management. This is what strengthens the Inspectorate in supervising the management of village funds. This goal is one of the government's efforts to create good village fund management and realize accountability. To optimize supervision in managing village funds, several things are needed, including strengthening supervision, increasing the capacity of supervisory institutions, utilizing digital technology, establishing effective social and political communication and making changes to statutory regulations.

Based on this background description, researchers are interested in researching, knowing and analyzing more deeply using normative research methods. The results of this research will be presented in the form of a narrative scientific paper with the title **"Optimizing Supervision of Village Fund Management in Lumajang Regency in the Context of Achieving Accountability (Case Study at the Lumajang Regency Regional Inspectorate)"**.

## **2. Formulation of The Problem**

Problem formulation is different from problems. If a problem is defined as a gap between something that is expected (das sollen) and the reality (das sein) that occurs, then the problem formulation is a question to which the answer will be found through data collection and processing. Based on the background description, the problem formulation is "How to optimize the supervision of Village Fund management in Lumajang Regency in order to realize accountability (case study at the Lumajang Regency Regional Inspectorate)?"

## **3. Literature Review**

### **3.1 Good Governance Theory**

Based on Mardiasmo's (2009) understanding, good governance is defined as the procedures a country uses to manage economic and social resources that are oriented towards community development in order to realize good government. Good governance in public administration theory is seen as a step in modernizing the government towards a more stable government administration process based on the professionalism of the performance of officials to fulfill the public interest. Wijayanto, (2005) explained that regional government budget transparency is a form of realization of good governance which is based on the principles of transparency and public accountability and the realization of community participation.

The principles of good governance put forward by Yenny (2013) refer to four characteristics, namely accountability, transparency, openness, rule of law. Likewise, according to Sampulawa (2023), governance in the process of implementing good village government (good governance) has the characteristics of accountability, transparency, participation, responsiveness, legal order, fairness, efficiency and effectiveness and has a strategic vision.

### **3.2 Village Fund**

Regulation of the Minister of Finance of the Republic of Indonesia Number 190/PMK.07/2021 concerning Village Fund Management, the definition of village funds is funds sourced from the state revenue and expenditure budget intended for villages which are transferred through the district/city regional income and expenditure budget and used to finance administration of government, implementation of development, community development, and community empowerment.

### **3.3 Management**

The village fund distribution mechanism is divided into 2 (two) stages, namely the APBN transfer mechanism stage from the State General Cash Account (RKUN) to the Regional General Cash Account (RKUD) and the APBD transfer mechanism stage from RKUD to the Village Cash Account (RKD). Village Fund distribution is carried out in 3 (three) stages, with the following provisions:

a. stage I is 60% (sixty percent) of the village fund ceiling for each village

Phase I is 40% (forty percent) of the village fund ceiling for each village, with details:

b. tage II is 40% (forty percent) of the village fund ceiling for each village,

Phase II is 40% (forty percent) of the village fund ceiling for each village,  
c.

Stage III is 20% (twenty percent) of the village fund ceiling for each village, with details.

The distribution of village funds for villages with Independent village status is carried out in 2 (two) stages, with the following provisions:

In order to submit distribution requirements documents, the village head submits distribution requirements documents to the regent/mayor, completely and correctly with the following provisions:

a. Stage I consists of:

1. regent/mayor regulations regarding procedures for distributing and determining details of village funds for each village;
2. village regulations regarding APBDes; And
3. power of attorney for transfer of village funds;

b. Stage II consists of:

report on the realization of the absorption and output achievements of village funds for the previous fiscal year; the report on the realization of absorption and output achievements of phase I village funds shows that the average realization of absorption is at least 50% (fifty percent) and the average output achievement shows at least 35% (thirty five percent) of the phase village funds I which has been distributed; village head regulations regarding the determination of village BLT beneficiary families or village head regulations regarding the determination that there are no village BLT beneficiary families; And minutes of confirmation and cumulative reconciliation of remaining village funds in the RKUD between the Regional Government and the head of the State Treasury Services Office (KPPN).

c. Stage III consists of:

The report on the realization of absorption and output achievements of village funds up to stage II shows that the average realization of absorption is at least 90% (ninety percent) and the average output achievement shows at least 75% (seventy five percent) of the funds phase II villages that have been distributed; And Convergence report on stunting prevention at village level for the previous fiscal year

### **3.4 Optimization**

Nurul Huda (2018) explains that optimization comes from the word optimal, meaning best or highest. Optimizing means trying to make something better or superior. Furthermore, optimization is the process of optimizing something to get the best results in accordance with planned expectations and goals. Optimum is closely related to the criteria for the work results obtained. Hotniar Liringoringo (2015) explains that optimization is the process of looking for the best solution, not always the highest profit that can be achieved if the optimization goal is profit maximization, or not always the lowest cost that can be reduced when the goal is to minimize costs. There are several dimensions in carrying out optimization that must be identified during the implementation process to produce an implementation plan, namely as follows:

#### **a. Objective**

Goals can take the form of maximization or minimization. The form of maximization is used if the optimization goal is related to profits, revenue and the like. This form of minimization will be used if the optimization goal is related to costs, time and the like.

#### **b. Decision**

Decision makers are faced with several options to achieve the set goals. This is done to achieve the initial goal so as to produce maximum decisions.

#### **c. Disposition**

Part of the attitude and commitment of the actors or designers towards the program implemented as a follow-up to the solution.

### **3.5 Supervision**

Robert J. Mockler in T. Hani Handoko (2013: 358) stated that Supervision is a systematic effort to set implementation standards with planning objectives, design a feedback information system, compare real activities with previously established standards, determine and measure deviations, and take necessary corrective actions to ensure that company resources are used in the most effective and efficient way in achieving company goals.

Earl P. Strong in Hasibuan (2014:241) argues that Controlling is the process of regulating the various factors in an enterprise according to the requirements of its plans. This opinion states that supervision is the process of regulating various factors in a company, so that implementation is in accordance with the provisions in the plan. The aims and objectives of supervision according to Handayaningrat include the following:

- a. To prevent or correct errors, irregularities, miscellaneous implementation that is not in accordance with the specified duties and authority.
- b. So that the results of the work implementation are obtained efficiently and successfully in accordance with the predetermined plan.
- c. In order for supervision to run well, there are several dimensions of supervision that supervisors need to understand.

Robbins and Coulter (2005:460) say that supervision consists of four dimensions, namely: standards, measurements, comparison and action. The four dimensions of supervision are the underlying reference in the research, these will be explained in more detail further.

#### **a. Setting standards (Standards)**

Determining benchmarks (targets) or desired results, so that it can be used as a comparison of results when carrying out organizational activities. Standards are also limitations on what must be done in carrying out an activity to achieve organizational goals and targets.

#### **b. Measurement**



Performance measurement is a process that is carried out repeatedly and continuously and correctly, whether the intensity is in the form of daily, weekly or monthly measurements so that what is measured is the quality and quantity of results. Setting standards will be useless if it is not accompanied by various ways to measure the implementation of activities.

c. Compare

Comparing the results achieved with the targets or standards that have been set, perhaps the performance is higher, or lower or the same as the standards. This process will find any deviations between standards and realization, whether standards can be achieved. Making comparisons will make it easy to identify deviations that occur. If a comparison is not made between the expected results and the reality faced then the management function will not function.

d. Taking action (action)

The decision to take corrective or corrective action. If there has been a deviation between the standard and the realization, it is necessary to take follow-up action in the form of correcting the deviation that occurred. This follow-up process or action can be carried out by changing standards, measures or norms

#### **4. Research Methode**

Research on "Optimizing Supervision of Village Fund Management in Lumajang Regency in the Context of Realizing Accountability (Case Study at the Lumajang Regency Regional Inspectorate)". This is descriptive research with a qualitative approach. According to Miles and Huberman (2019:1), research using qualitative data is a source of broad and solidly based descriptions, and contains explanations of processes that occur locally.

#### **5. Disscusion**

##### **5.1 Objectives of Optimizing Supervision of Village Fund Management in Lumajang Regency in the Context of Realizing Accountability**

The role of the Lumajang Regency Inspectorate as an internal government supervisory apparatus carries out periodic supervision over the management of village funds in each village. The Inspectorate monitoring program is carried out to check developments and also problems that occur in a village by coming directly to the field and taking samples of certain villages to then be audited by auditors from the Lumajang Regency Inspectorate.

Based on the results of researchers' interviews with informants, the supervision carried out by the Lumajang Regency Inspectorate consists of two types. The first supervision is based on an annual work program which is routinely carried out at meetings of all Lumajang Regency Inspectorate officials by making a supervision schedule for one year with various considerations. In this monitoring program, not all villages in Lumajang Regency are targets in the annual program, but only certain villages that have been audited previously and are included in the inspection-worthy or risk-based category. Villages included in this category are seen from several aspects, including the distance between the regional government and the village in question, the amount of funds received by the village from the APBD and the village has never been inspected before by the Lumajang Regency Regional Inspectorate.

The second supervision is supervision carried out based on the results of reports or complaints from the community regarding the management of village funds. Reports or complaints submitted by the public can be direct or indirect. Submission of direct complaints means that the community immediately comes to the Regional Inspectorate office to convey matters relating to alleged misuse in the management of village funds. Meanwhile, indirect complaints will be submitted by representatives from the sub-district or Village Empowerment Service to the Inspectorate. When receiving a report or complaint submitted by the public, it must be accompanied by reliable evidence. Submissions made verbally cannot be accepted in their entirety and are not followed up quickly. The results of interviews conducted by researchers show that the things that the reporter needs to prepare are oral submission, evidence that supports the statement submitted in the form of writing or other documentation and a clear identity of the reporter. After receiving the complaint from the reporter, the next stage is waiting for a recommendation from the Regent. If you have received a

recommendation from the Regent, the Inspectorate will immediately carry out an inspection of the village that has been complained about by the reporter. (Data source: Lumajang Regency Regional Inspectorate data, 2024) This form of inspection is carried out by an auditor from the Inspectorate in the form of an audit of the village in accordance with community reports. The audit will produce data on problem findings. If the findings are positive that there is misuse of village fund management, guidance will be carried out on the management of village funds starting from the following:

a. Preventive prevention

This effort is made to minimize the causes and opportunities for village officials to commit criminal acts of corruption. One effort that can be made is to instill a positive national spirit.

b. Repressive measures

This effort is carried out through legal channels to prosecute perpetrators of village corruption. The aim is to prevent the perpetrator from repeating his actions and to provide a deterrent effect to the perpetrator.

This is in accordance with the regulations in force in Lumajang Regency. Guidance material includes managing village funds, preparing village fund allocation reports and using village facilities using APBD funding sources. In coaching, you must receive a response from village officials who are willing to follow the direction of the Inspectorate so that they can make changes to become better and more responsible in managing village funds. However, if the village officials are not willing to follow the directions and guidance from the Inspectorate, then the village report will arrive within a deadline and then be checked for irregularities by the Law Enforcement Officials (APH).

## **5.2 Decisions on Optimizing Supervision of Village Fund Management in Lumajang Regency in the Context of Realizing Accountability**

The results of investigations carried out by the Lumajang Regency Regional Inspectorate and data from the Lumajang District Prosecutor's Office, in 2022 there will be 10 village fund corruption cases handled. This number increased from the previous year which was only 7 cases. In 2023, until November, the Lumajang District Prosecutor's Office has handled 10 village fund corruption cases. The modes that are often used include embezzlement, waste and mark up. The increase in village corruption cases in Lumajang certainly causes losses for the community. Village funds that should be used for village development and community welfare are actually misused by irresponsible individuals. For example, the Head of Sumberanyar Village, Rowokangkung District, Ahmad Hendra Jaka Kumbara, was accused of committing a criminal act of corruption in village funds from 2020 to 2021 for his personal interests. and cost the state up to IDR 535 million. (Data source: Lumajang Regency Regional Inspectorate report, 2024)

The report shows that the supervision carried out by the Lumajang Regency Regional Inspectorate until 2023 has not been optimal. Sekarwati, et.al. (2023) explained that there are several factors, both internal and external, which are obstacles for the Lumajang Regency Regional Inspectorate to supervise the management of village funds effectively. Internal factors themselves are caused by a lack of human resources in the Lumajang Regency Regional Inspectorate and budget reductions since 2020. Meanwhile, external factors are caused by a lack of coordination with the sub-district authorities and the fraud risk control system which has given rise to several new problems from parties outside the inspectorate.

There are several factors that are thought to be the cause of the sub-optimal distribution of village funds in Lumajang Regency. These factors include a lack of supervision over the use of village funds, minimal knowledge of the village head and village officials regarding good management of village funds, low community awareness of the importance of monitoring the allocation of village funds. The community's indifference to the use of village funds means that individual village heads and village officials can easily commit corruption without anyone supervising them. Another factor is the opportunity for corruption due to the lack of transparency and accountability in village fund management

Non-optimal distribution of village funds by not channeling village funds optimally will of course have a negative impact on the government and village communities as well as the Lumajang Regency Government, such as hampering village infrastructure development, the emergence of social jealousy between village groups,



decreased social welfare, misuse of people's money by unscrupulous individuals. responsibility, decreased village income, delays in the distribution of village funds and a reduction in village funds for the following year. These inhibiting factors in the implementation of supervision of village fund management by the Lumajang Regency Regional Inspectorate must be overcome. Optimization is carried out by making the right decisions in realizing accountability. Several decisions taken by the Lumajang Regency Regional Inspectorate in monitoring village funds include the following:

**a. Prevent deviation**

The supervision of village funds carried out by the Lumajang Regency Regional Inspectorate aims to prevent irregularities in the management of village funds. Things done include:

- 1) Carrying out field procedures to detect fraud
- 2) Imposing administrative sanctions on violators
- 3) Synergize with the police after the administrative stage
- 4) Propose the dismissal of violators to the regional head
- 5) Inform the community about the recovery of village fund losses
- 6) Conduct socialization about the Inspectorate's functions so that the public can be proactive in carrying out public supervision

**b. Ensure Benefits**

Supervision of village funds is carried out to ensure that village funds are used properly and correctly according to their intended purpose and are not misused. Village fund supervision also aims to ensure transparency and accountability in the use of village funds, prevent misappropriation of village funds, maintain security and orderliness of village finances, prevent violations of laws and regulations. APIP must assess that village funds have provided benefits to the community.

**c. Ensure Compliance**

The Lumajang Regency Regional Inspectorate through APIP or Government Internal Supervisory Apparatus has the task of supervising the budget management process, government officials and activities of regional apparatus by checking compliance with applicable regulations, policies and procedures. APIP ensures that village funds are used in accordance with established provisions and priorities. Supervision is carried out by the government above it, namely the district/city government, as well as by the community through the Village Consultative Body (BPD). APIP must assess compliance with village fund management.

**d. Ensure use according to its intended purpose**

The Lumajang Regency Regional Inspectorate ensures that the use of village funds is in accordance with the allocation and needs of each village. This designation must still be evaluated periodically. Optimizing supervision by routinely carrying out monitoring and evaluation activities

**e. Ensure transparency and accountability**

The Lumajang Regency Regional Inspectorate is working hard to optimize supervision over village fund management to achieve accountability and transparency. Several things that must be done to optimize this include the following:

1. Conduct training for village officials to better understand financial management and use of technology;
  2. Promote cooperation with private institutions or universities in implementing village development programs;
  3. Building a data-based evaluation system to monitor the progress of program implementation;
  4. Comply with the principles of transparency and accountability in the use of funds;
  5. Ensure the validity of documents related to Village Funds through the One Ministry of Finance application;
- Apart from that, the efforts of the Lumajang Regency Regional Inspectorate to realize accountability and transparency include several steps, including the following:

**1) Building integrity**

High integrity can create a work environment that is transparent, accountable and free from corruption.

## **2) Increase community participation**

Community participation in monitoring the management of village funds can minimize fraud and misuse of village funds.

## **3) Submission of accountability reports on time**

Government financial accountability reports must be valid, factual and timely prepared by following government accounting standards.

## **4) Implement the Law on Openness of Public Information**

This law is a form of transparency which has implications for the government's ability to realize good governance

### **5.3 Disposition in Optimizing Supervision of Village Fund Management in Lumajang Regency in the Context of Realizing Accountability**

The definition of disposition according to Edward III in Widodo (2010: 104) is the will, desire and tendency of policy implementers to implement the policy seriously so that the policy objectives can be realized. If policy implementation is to be successful effectively and efficiently, the implementers not only know what must be done and have the ability to carry out the policy, but they must also have the will to implement the policy.

The factors that Edward III paid attention to in Augustine (2006:159-160) regarding disposition include the following:

#### **1) Bureaucratic appointments**

The disposition or attitude of implementers will create real obstacles to policy implementation if existing personnel do not implement the policies desired by higher officials. The appointment and selection of policy implementing personnel must be people who are dedicated to the policies that have been established, more specifically to the interests of community members.

#### **2) Incentives are one of the techniques recommended for overcoming the problem of attitudes of policy implementers by manipulating incentives. Basically, people move based on their own interests, so manipulating incentives by policy makers influences the actions of policy implementers. By adding certain profits or costs, it might be a motivating factor that makes the executors carry out orders well. This is done as an effort to fulfill personal or organizational interests**

The disposition of village fund supervision with the appointment of competent parties related to village fund management includes, among others, the following:

- a) The regional inspectorate has several authorities in supervising village funds, including the following:
  1. Check compliance with applicable regulations, procedures and policies
  2. Carry out internal supervision of performance and finances through audits, reviews, evaluations and monitoring
  3. Detect and prevent corrupt practices, irregularities, abuse of authority
  4. Provide recommendations for improvements to the competent authorities
  5. Conduct regular inspections of all activity programs carried out by each Village Government
- b) The Village Consultative Body (BPD) has the authority to supervise the performance of the village head in managing village finances.
- c) The Ministry of Finance has the authority to develop and supervise village fund management officials, as well as evaluate village fund budgets.
- d) The Ministry of Home Affairs (Kemendagri) has the authority to encourage regents/mayors to facilitate Village Government Work Plans (RKP Desa) and Village Revenue and Expenditure Budgets (APB Desa).
- e) The Ministry of Villages, Regional Development and Transmigration (Kemendes PDTT) has the authority to develop a mentoring framework to increase the capacity of village communities.
- f) The Financial Audit Agency (BPKP) has the authority to supervise the use of village funds.
- g) The Corruption Eradication Commission (KPK) has the authority to supervise the use of village funds.
- h) Village communities also have the right to supervise the use of village funds

#### **5.4 Comparison of Conditions After Optimizing Village Fund Management Supervision in Lumajang Regency in the Context of Realizing Accountability**

The results of supervision of village funds by the Lumajang Regency Regional Inspectorate include the following:

- a. Findings from 2020 to 2023 include nine cases of violations of village fund management procedures in Lumajang Regency.
- b. The majority of violations that occurred were committed by the village head.
- c. For administrative violations, the Lumajang Regency Regional Inspectorate only gives verbal and written warnings so they are not followed up.

Fraud in the use of funds or fraud is the deliberate misuse of resources for personal gain. In general, fraud can be defined as cheating or fraudulent acts. In an organizational environment, fraudulent behavior can take the form of corruption, money laundering, data theft, abuse of authority, gratification, diversion of assets, and so on. Cases of criminal acts of corruption that often occur within government agencies are often related to these things.

The large number of fraud cases automatically has an impact on state financial losses and also the interests of society in general. Fraudulent practices within government agencies are in fact closely related to criminal acts of corruption by government bureaucratic elements. Considering the impact of fraudulent practices which is very detrimental and threatens the continuity of good and clean governance (Good Governance and Clean Government), agency leaders should control the risk of fraud. Various policies in controlling fraud are important to implement in government bureaucratic governance. In theory, the implementation of risk management for fraud is by paying attention to five principles, namely: Fraud Risk Governance; Fraud Risk Assessment; Fraud Control Activity; Fraud Investigation and Corrective Action; and Fraud Risk Management Monitoring Activities. Thus, in an effort to control fraud, government agencies are expected to be able to apply these principles to mitigate risks. Fraud Risk Governance is carried out through fraud risk management. In this case, fraud risk management is included in a written policy that conveys information about the program and performance. Next, Fraud Risk Assessment or assessment of the risk of fraud. This assessment aims to determine the possibility, type and costs arising from a risk of fraud. The next principle is Fraud Control Activity, which is an internal monitoring activity in an effort to prevent fraud. If irregularities or violations occur that lead to fraudulent behavior, they must be reported and handled in a timely manner. This is the principle of Fraud Investigation and Corrective Action. In this case, appropriate sanctions and punishments must be given to these violations.

The fifth principle of fraud risk management is Fraud Risk Management Monitoring Activities; or monitoring and evaluation activities as a step in improving fraud detection, as well as communicating the results of the fraud risk management program to all employees. The results of this evaluation are expected to increase each individual's awareness of the importance of anti-fraud. In reality, many government agencies have fraud-prone areas that must be identified from the start. Fraud-prone areas are areas or areas of work in an organization that are prone to fraud or irregularities. Some of them are agencies related to financial and budget management, procurement of goods and services, provision of public services, and other areas of activity. In areas that are prone to fraud, the role of risk management and fraud control is very necessary so that organizational goals are not hampered. The implementation of fraud prevention risk management certainly needs to be supported by the leaders of government agencies. For this reason, the Government Internal Audit Apparatus (APIP) as the "eyes and ears" of top management should play an active role so that work units within the agency implement the principles of fraud prevention risk management.

Improving the quality or quality of internal supervision in this case is something that APIP has urgently. By improving the quality of internal supervision, it is intended that internal supervision will be able to provide input (feedback) on the preparation of policies and work plans for each agency[1]. Apart from that, it is also to assist management in identifying and managing risks, control and good governance; and prevent bribery, corruption and other fraudulent practices in their respective environments. APIP can use several alternatives to prevent fraud. This includes building a good internal control structure through the Government Internal Control System (SPIP), which includes the control environment, risk assessment, control activities, information and

communication, and internal control monitoring. Furthermore, by making control activities more effective, improving organizational culture, and making the internal audit function more effective. In addition, as the final layer of the internal defense system, APIP always innovates in carrying out effective supervision so that organizational goals are achieved well. Because fraud has a negative impact on the organization and can hinder the achievement of goals, it is necessary to set a zero fraud target.

Based on the Decree of the Regent of Lumajang Number 188.45/3030/427.12/2019 concerning Standards and Procedures for Inspection of the Implementation of Village Government, it explains that Village Corruption Indicators include the following:

- a. Assessments are carried out at any time according to need, either openly or secretly;
- b. The Assessment Team comes from the Inspectorate and/or involves other teams/elements and the assessment results cannot be contested;
- c. The best villages as anti-corruption villages can be given certain rewards/awards by the Regional Head and/or the worst villages can be given sanctions;
- d. Among other things, rewards can be given by adding ADD, BKK or other rewards, while sanctions can be applied by reducing ADD, BKK or other mechanisms. Rewards and punishment can also be given to the District as a facilitator;
- e. In the context of implementing anti-corruption integrated villages, the district inspectorate can provide guidance and supervision of its implementation;
- f. The accumulated anti-corruption integrated village indicators consist of:
  1. There are no financial findings indicating material losses to the State for at least the last 2 (two) years;
  2. Follow up on Inspectorate findings of at least 75 (seventy five) percent;
  3. Organize an internal control system adequately, both in design and implementation;
  4. Implementing an anti-corruption system including anti-extortion;
  5. Organizing gratification management;
  6. Organizing handling of conflicts of interest;
  7. Organizing a whistleblower system;
  8. Timeliness in budget determination and accountability reporting;
  9. Self-assessment Corruption Perception Index of at least 3 (three);
  10. Have high performance on the Development Plan and/or minimum achievements at Regency level;
  11. Implementing an adequate work culture and service innovation;
  12. Supported by an adequate information system; m. Have good and harmonious coordination with the District, BPD and other stakeholders
- g. The anti-corruption integrated village indicator index between 1-4 is carried out through a survey instrument by first determining the nominee with the highest score system.
- h. Village governments that have special risks or are required to accelerate improvements in village governance and performance, either based on recommendations from the Village Head, Subdistrict Head, and/or other Officials or on the initiative of the Regional Inspectorate, can be provided with special assistance and guidance by the Inspectorate

The supervision of village fund management that has been carried out by the Lumajang Regency Regional Inspectorate has seen results and is more optimal. This optimization is proven by the innovation of the fraud risk control (FRC) supervisory information system (SIMWAS). This innovation has succeeded in breaking into the top five of the 2024 Supervision Innovation Competition in the Regional Government participant category in the competition held by the Financial and Development Supervisory Agency (BPKP) in the framework of the 41st BPKP Anniversary. (Data source: Lumajang Regency Regional Inspectorate, 2024)

The FRC was built to support the fulfillment of line supervision functions under APIP and APIP Supervision in accordance with the Government Regulation of the Republic of Indonesia Number 60 of 2008 concerning the Government's Internal Control System. Meanwhile, articles 43 and 44 mandate that the Head of Government Agencies must monitor the internal control system which is carried out through continuous monitoring. ,

separate evaluation, and follow-up on recommendations from audit results and other reviews. carried out through routine management activities, supervision, comparison, reconciliation and other actions related to the implementation of tasks

Therefore, APIP must be able to provide services in the form of supervision (audit, review, evaluation, monitoring) effectively and with quality under any conditions in an integral and continuous manner, one of which is done by building SIMWAS FRC. And along with technological developments, SIMWAS FRC has utilized Artificial Intelligence (AI). AI has started to be used in SIMWAS FRC since the end of December 2023, initially to assist APIP's task of sorting complaints, and in 2024 it was developed to assist the APIP team in Evaluation. The use of SIMWAS FRC has been established as a regional policy as stated in the Decree of the Regent of Lumajang Regency Number 630 of 2022 concerning Guidelines for Implementing Fraud Prevention and Control.

## **6. Conclusion**

Based on the discussion description, researchers can draw conclusions including the following:

1. Supervision carried out by the Lumajang Regency Inspectorate consists of two types. The first supervision is based on an annual work program which is routinely carried out at meetings of all Lumajang Regency Inspectorate officials by making a supervision schedule for one year with various considerations. In this monitoring program, not all villages in Lumajang Regency are targets in the annual program, but only certain villages that have been audited previously and are included in the inspection-worthy or risk-based category. The second supervision is supervision carried out based on the results of reports or complaints from the community regarding the management of village funds. Reports or complaints submitted by the public can be direct or indirect. Submitting direct complaints means that the community directly comes to the Regional Inspectorate office to convey matters relating to alleged misuse in the management of village funds. Meanwhile, indirect complaints will be submitted by representatives from the sub-district or Village Empowerment Service to the Inspectorate.
2. Inhibiting factors in the implementation of supervision of village fund management by the Lumajang Regency Regional Inspectorate must be overcome. Optimization is carried out by making the right decisions in realizing accountability. Several decisions taken by the Lumajang Regency Regional Inspectorate in supervising village funds include the following: preventing irregularities, ensuring benefits, ensuring compliance, ensuring use according to designation, ensuring use of village funds in accordance with the designation and needs of each village, ensuring transparency and accountability
3. Efforts by the Lumajang Regency Regional Inspectorate to realize accountability and transparency with several steps, including building integrity, increasing community participation, submitting accountability reports on time and implementing the Law on Openness of Public Information. Disposition on supervision of village funds with the appointment of competent and related parties in managing village funds, including the Regional Inspectorate, Village Consultative Body (BPD), Government Internal Supervisory Apparatus (APIP), Ministry of Finance, Ministry of Home Affairs (Kemendagri), Ministry of Villages , Regional Development and Transmigration (Kemendes PDTT), Financial Audit Agency (BPKP), Corruption Eradication Commission (KPK) and village communities.
4. The results of supervision of village funds by the Lumajang Regency Regional Inspectorate include findings from 2020 to 2023 including nine cases of violations of village fund management procedures in Lumajang Regency, the majority of violations were committed by the village head and for administrative violations. Then in 2024, the results of the supervision of village fund management carried out by the Lumajang Regency Regional Inspectorate will be visible and more optimal. Finance and Development (BPKP) in the framework of the 41st BPKP Anniversary. This optimization is proven by innovation in the fraud risk control (FRC) supervisory information system (SIMWAS). This innovation has succeeded in breaking into the top five of the 2024 Supervision Innovation Competition in the Regional Government participant category in the competition held by the Financial and Development Supervisory Agency (BPKP) in the context of the 41st BPKP Anniversary.

## 7. Recommendation

Based on the description of the conclusions, researchers can provide recommendations including the following:

1. To make it easier for the public to report suspected misuse of village funds, the Lumajang Regency Regional Inspectorate should create an e-management system open to the public;
2. In order for the decisions taken by the Lumajang Regency Regional Inspectorate to continue, there should be training or workshops for employees related to the supervision of village fund management.
3. In order for the disposition and efforts carried out by the Lumajang Regency Regional Inspectorate to be appropriate, there should be periodic performance evaluations of each competent party in supervising village funds.
4. Comparison of the performance of supervision of village funds carried out by the Inspectorate so that it achieves awards, should be maintained and supervision of village funds increased not only to pursue awards.

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### INFO

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