



Topic: Human Right Issues of Artificial Intelligence (AI) Gaps and Challenges, and Affected Future Legal Development in Various Countries

## Financial Supervision of Village Funds to Realize Village Financial Transparency

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**Abstract.** Law no. 6 of 2014 concerning Villages, gave birth to village autonomy, which means that the village government has the right to regulate and manage the implementation of its own village's living arrangements, including the management of village funds in the context of village development. An effective and efficient village fund monitoring system is needed in order to realize village fund transparency. The aim of this research is to formulate the concept of supervision in managing village funds. The research method used is a qualitative method with data collection techniques in the form of literature studies and documentation studies. The approach used is a statutory approach and a conceptual approach. The results obtained in this research are that village fund arrangements and their sources have been regulated in Law Number 6 of 2014 concerning Villages, which originate from APBN funds. The village fund monitoring system is carried out by making accountability reports by the village head to the BPD, sub-district head and district head/mayor. The conclusion of this research is that village funds are an inseparable part of the financing and funding of village funds with transparent, accountable, participatory principles and carried out in an orderly and budgetary manner. The supervision carried out must be carried out strictly, professionally, cleanly, effectively and efficiently.

**Keywords:** Supervision; Village Funds; Village Government.

### 1. Introduction

The Indonesian state, based on the provisions of Article 1 paragraph (3) of the 1945 Constitution of the Republic of Indonesia (UUD NRI 1945), confirms that Indonesia is a legal state. The sound of Article 1 paragraph (3) is the highest will of the people (volonte generale)

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of the Indonesian nation which is used as the basic law in administering the Indonesian state constitution. Apart from that, the principle of Indonesia as a rule of law state means that law is the main pillar in moving the joints of social and national life. , and the state to achieve the country's ideals. The ideal of the Indonesian nation is to form a just and prosperous society based on Pancasila. The objectives of the Indonesian State are further stated in the fourth paragraph of the preamble to the 1945 Constitution of the Republic of Indonesia which includes: Protecting the entire nation and all of Indonesia's blood, advancing general welfare, educating the life of the nation, and participating in implementing world order, based on independence, eternal peace and social justice.<sup>1</sup>

In the current era of regional autonomy, the challenges faced by the Indonesian government bureaucracy are quite difficult. The transition period for the regional government system was marked by the issuance of Law no. 32 of 2004 as amended by Law no. 23 years. 2014 has brought some fundamental changes. First, areas that were before the enactment of Law no. 32 years. 2004, the autonomy that regional governments have is only real and responsible autonomy, but with the enactment of Law no. 23 of 2014 to become broad, real and responsible autonomy.<sup>2</sup>

According to Abe, what is meant by real autonomy is: Regional freedom to exercise governmental authority in certain fields that are real and necessary and that grow, live and develop in the region. Meanwhile, what is meant by responsible autonomy is: The realization of accountability as a consequence of giving rights and obligations to regions in realizing the duties and obligations that must be assumed by regions in achieving the goal of granting autonomy, in the form of improving services and better community welfare, developing democratic life, justice, and equality, as well as maintaining harmonious relations between the center and the regions and between regions in order to maintain the integrity of the Unitary State of the Republic of Indonesia.<sup>3</sup>

The birth of Law no. 6 of 2014 concerning Villages, was actually born after the Constitutional Court's decision relating to the interpretation of Article 18B paragraph (2) of the 1945 Constitution of the Republic of Indonesia, which gave birth to the concept of village autonomy. Real village autonomy can be seen through the implementation of the principles of recognition and subsidiarity. The principle of recognition implies recognition of the unity of the legal

<sup>1</sup> Moh. Mahfud MD, *Membangun Politik Hukum, Menegakkan Konstitusi*, PT Rajagrafindo Persada, Jakarta, 2011, hal.17

<sup>2</sup> Nimatul Huda, *"Hukum Pemerintahan Desa"*, Setara Press Malang 2015, hlm 2

<sup>3</sup> Ibid, hlm 31

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community or the unity of the customary law community which is related to the existence of the village, traditional rights and village initiatives as subjects in village governance. Likewise, the principle of subsidiarity implies that it is a community-based government organization, a government that is integrated with the community or a government belonging to the community or the government at the front, bottom and closest to the community.<sup>4</sup>

These two main principles have implications for the definition and meaning of village. Evidently, in defining a village, Article 1 paragraph (1) states that, "A village is a village and a traditional village or what is called by another name, hereinafter referred to as a village, is a legal community unit that has territorial boundaries and is authorized to regulate and manage government affairs and interests. local communities based on community initiatives, origin rights, and/or traditional rights recognized and respected in the government system of the Unitary State of the Republic of Indonesia."<sup>5</sup>

Law no. 6 of 2014 concerning Villages, gave birth to village autonomy, which means that the village government has the right to regulate and manage the administration of its own village life in accordance with the needs of the village community itself. Included in this is the management of village funds in the context of village development to improve the welfare of village communities. The Village Government prepares village development plans in accordance with its authority by referring to district/city development planning. Village Development Planning includes the Village RPJM and Village RKP which are prepared in a timely manner and determined by Village Regulations.<sup>6</sup>

Law no. 6 of 2014 concerning Villages, gave birth to village autonomy, which means that the village government has the right to regulate and manage the administration of its own village life in accordance with the needs of the village community itself. Included in this is the management of village funds in the context of village development to improve the welfare of village communities. The Village Government prepares village development plans in accordance with its authority by referring to district/city development planning. Village Development Planning includes the Village RPJM and Village RKP which are prepared in a timely manner and determined by Village Regulations. The large allocation of village funds, which should aim to improve the welfare of village communities, requires a strict monitoring

<sup>4</sup> Nimatul Huda, *Hukum...* Op Cit., hlm 278

<sup>5</sup> Lihat Pasal 1 Ayat (1) Undang-Undang Nomor 6 tahun 2014 Tentang Desa

<sup>6</sup> Hanif Nucholis, *Pertumbuhan & Penyelenggaraan Pemeintahan Desa*, Erlangga, Jakarta, 2011, hlm 16



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system in order to prevent misuse and misappropriation of village funds. The supervision carried out must be able to run effectively and efficiently

Based on the explanation that the author has outlined in the background above, the author will examine how to monitor the allocation of village funds in village government to realize village financial transparency.

## 2. Research Methods

Legal research is a form of scientific activity, which is based on certain methods, systematics and thinking, which aims to study one or several particular legal phenomena, by analyzing the symptoms. In studying legal phenomena, an in-depth analysis of the problems faced is required. The research method used is the normative legal research method and the approaches used are the legislative approach (normative approach) and the conceptual approach (conceptual approach).

Legal research sources can be divided into research sources in the form of primary legal materials and secondary legal materials. This research uses primary legal sources Law Number 6 of 2014 concerning Villages. The technique for collecting legal materials uses literature study with syllogism analysis through deductive reasoning.

## 3. Results and Discussion

Management of village fund allocations is an inseparable part of the financing and financing of village funds as mandated in Law Number 6 of 2014 concerning Villages. This village fund funding is realized in the form of the Village APB which is determined by the Village Head and the Village Consultative Body (BPD). Village funds are not assistance provided by the Central Government or Regional Government, but are the village's right to carry out village autonomy in order to improve the welfare of the village community.

The village government uses Village APB funds to finance the implementation of village authority in the form of various development activities and empowerment of village communities. Apart from that, the village government is obliged to carry out financial management in an orderly manner and in accordance with the provisions. Therefore, the village government needs to prepare various regulations, both in the form of village regulations regarding the allocation, use, and monitoring and evaluation of funds allocated in the Village APB as follows:

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1. Village Revenue and Expenditure Budget, as mandated in Law Number 6 of 2014 Article 73
2. Village RPJM, as mandated in Law Number 6 of 2014 Article 79
3. Village RKP, as mandated in Law Number 6 of 2014 Article 79
4. Establishment of BUM Desa, as mandated in Law Number 6 of 2014 Article 88

Village finances are managed based on good governance practices. The principles of Village Financial Management as stated in Law Number 6 of 2014 concerning Villages are transparent, accountable, participative and carried out in an orderly and budgetary manner. Transparency is the principle of openness that allows the community to know and have access to the widest possible information about village finances. The principle of opening up to the community's right to obtain correct, honest and non-discriminatory information about the administration of village government while still paying attention to the provisions of laws and regulations.<sup>7</sup>

Accountability is the embodiment of the obligation to account for the management and control of resources and the implementation of entrusted policies in order to achieve predetermined goals. The principle of accountability determines that every activity and final result of village government administration activities must be accountable to the village community in accordance with the provisions of statutory regulations. Participatory, namely the implementation of village government that includes village institutions and elements of village society. Orderly and budgetary discipline, namely village financial management, must refer to the rules or guidelines that underlie it.<sup>8</sup>

Villages under Law Number 6 of 2014 will receive village funds sourced from the Central Government. Therefore, every village should be obliged to prepare a Village Medium Term Program Plan (RPJMDesa), Village Development Activity Plan (RKP), and Village Revenue and Expenditure Budget (APBDesa) as a condition for obtaining village funds. Village Funds have a priority scale which is the aim of providing village funds in order to advance the village. Among them are: (i) preparation of village funds; (ii) independent villages; (iii) management of village potential; (iv) online village; (v) village community businesses; (vi) creative economy; and (vii)

<sup>7</sup> Materi Kuliah Keuangan Daerah, Materi Keempat Pasca UAS, Dosen Pengampu Kumba Digdowiselso, Universitas Nasional, Jakarta, 2020,

<sup>8</sup> Lihat Permendagri Nomor 20 Tahun 2018 Tentang Pengelolaan Keuangan Desa

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development of Village-Owned Enterprises (BUMDes). BUMDes is very important to develop because it can create an independent and advanced village.<sup>9</sup>

Village fund management is to finance programs planned in the village budget prepared in the Village APB. The Village APB is determined through village regulations, as a condition for the transfer of village fund allocations. If these conditions are not met, the district/city government will delay the delivery and allocation of village funds and the central government will not be able to send them if the district/city government has not fulfilled two conditions: (a) regional regulations determining the district/city APBD which it contains the Village APB; and (b) regional head regulations containing the amount of village funds in each village in the district/city.

The power to manage village finances is held by the village head. However, in practice, this power is partially delegated to village officials so that financial management is carried out jointly by the Village Head and the Village Financial Management Technical Implementer (PTPKD). In the village financial management cycle, the responsibilities and duties of the Village Head and Technical Implementer of Village Financial Management. PTPKD consists of the Village Secretary, Section Head and Village Treasurer.<sup>10</sup>

The Village Head is the Authority Holder of Village Financial Management and represents the village government in the ownership of separated village assets. In this case, the Village Head has the authority to (i) Determine policies regarding the implementation of the Village APB, (ii) Determine the Village Financial Management Technical Implementer (PTPKD), (iii) Determine the officers who will collect village revenues, (iv) Approve expenditure on activities carried out stipulated in the Village APB, (v) Carrying out actions that result in expenditure at the expense of the Village APB.<sup>11</sup>

Village fund management, based on Law Number 6 of 2014 concerning Villages, has a mechanism, namely, first, the planning stage. This is initial planning in village fund allocation which is the earliest stage of village fund allocation management activities. Planning activities aim to prepare activity plans in a participatory manner while determining budget allocations as outlined in the Activity Plan List (DRK). After the DRK is compiled, the village head as the person in charge forms a village fund allocation implementation team consisting of the Village Financial Management Technical Implementer (PTPKD) and the village treasurer..

<sup>9</sup> Pasal 72 ayat (4) UU Nomor 6 Tahun 2014 tentang Desa

<sup>10</sup> Lihat Permendagri Nomor 20 Tahun 2018 Tentang Pengelolaan Keuangan Desa

<sup>11</sup> Ibid



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Second, the distribution of village fund allocations is carried out after the DRK village fund allocations that have been prepared and agreed upon along with administrative attachments are submitted to the sub-district head for examination. Next, the sub-district heads collectively conveyed this to the Community Empowerment Agency (BPM). Third, the implementation of village fund allocation, which is the realization stage of all agreed village fund allocation management activity plans. The allocation of village funds received is used for government administration costs which are handed over to each post and for community empowerment costs handed over to the village level implementation team which will later be accountable to the village head. The implementers of this activity include the village head, youth organization, PKK mobilization team, Village Consultative Body (BPD), and village community.

Supervision of the financial management of village funds is necessary so that the implementation of assigned tasks avoids deviation and abuse of authority. This supervision includes direct supervision carried out by the village head on the implementing team for financial management of village funds and indirect supervision in the form of a written report, namely a Letter of Accountability (SPJ) for village fund management. In practice, supervision carried out by village communities is still not visible and people tend not to care about village programs that use village funds. However, supervision from the public is very necessary to avoid errors, misuse or other unwanted things.

Accountability for the management of village funds can also be carried out administratively in the form of a Letter of Accountability (SPJ) with a financial format that has been determined in the applicable regulations, namely in Minister of Home Affairs Regulation Number 20 of 2018 concerning Implementation of Village Funds. This accountability is a form of village administrative accountability to the government above it, as well as a form of accountability from the village government to the village community which is an obligation of the village government.

In implementing village finances, there are several general principles that must be adhered to which include revenues and expenditures. These principles include that all village revenues and expenditures are carried out through the Village Cash Account. Disbursement of funds in the Village Cash Account is signed by the Village Head and Village Treasurer. However, specifically for villages that do not yet have banking services in their area, further arrangements will be determined by the district/city government. With this arrangement, payments to third parties are normatively made via transfer to the third party's bank account.

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The Village Treasurer can deposit a certain amount of money in the village treasury to meet the operational needs of the village government. Limits on the amount of cash kept in the village treasury are determined by regent/mayor regulations. In addition, so that operational activities run smoothly, it is also possible for payments to third parties to be made using cash through the activity implementer (activity retainer). Provision of deposits to activity implementers is carried out with prior approval from the village head after verification by the Village Secretary. All village revenues and expenditures are supported by complete and valid evidence and signed by the Village Head and Village Treasurer.

Implementation of income receipt is the process of receiving and recording village income. Village income in the form of Original Village Income comes from the village community and environment, while transfer income comes from the supra-village government. The parties involved in the process of receiving income are funders (Central/Provincial/Regency/City Government, Community, Third Party), Fund Recipients (Village Treasurer/Activity Implementer/Village Head) and banks.

Included in Village Original Income includes Business Results; Asset Yield; Self-Help, Participation and Mutual Cooperation; and Other Village Original Income. All income received by the Village Treasurer must be deposited into the Village Cash Account. Income from self-help and community participation must be provided as proof of receipt in the form of a receipt/goods receipt. For receipts given in the form of labor, an attendance list is made of the people who contributed their labor. These gifts, either material or labor, are then converted/given a rupiah value using local market prices or based on the RAB that has been prepared previously. Evidence of receipt of self-help from the community, whether in the form of natural or labor that has been converted into rupiah, must be copied to the Village Treasurer to be recorded as the realization of self-help receipts which will be reported in the Village APB.

All of this income is then deposited by the Village Treasurer into the Village Cash Account. Every recording of receipt of donations must be accompanied by complete and valid evidence, including a receipt. In carrying out his duties, authority, rights and obligations in managing village finances, the village head has the obligation to submit reports. These reports are periodic, semi-annual and annual, which are submitted to the Regent/Mayor and some are also submitted to the BPD.

The Accountability Report for the Realization of the Implementation of the Village APB at the End of Each Fiscal Year is submitted to the Regent/Mayor via the sub-district head, consisting

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of Revenue, Expenditures and Financing which have been determined by Village Regulations. After the Village Government and BPD have agreed on the Accountability Report for the Realization of Implementation of the Village APB in the form of a Village Regulation, this Village Regulation is submitted to the Regent/Mayor as an inseparable part of the Village Government Implementation Report. Accountability Report for the Realization of Village APB Implementation as stated in article 41 of Permendagri Number 20 of 2018, submitted no later than 1 (one) month after the relevant budget year.

The Realization Report on the Use of Village Funds is submitted to the regent/mayor every semester. Submission of reports on the realization of the use of Village Funds is carried out in semester I stages no later than the fourth week of July of the current fiscal year, and semester II no later than the fourth week of January of the following fiscal year. In providing its accountability report regarding the financial management of village funds, the Village Government must be honest, in accordance with the facts in the field. Because if the accountability report does not match, then the village fund allocation assistance for the following year will no longer be processed. This accountability report is also a form of supervision of the financial use of village funds, as well as a form of transparency in the financial management of village funds carried out by the Village Government.

Supervision plays an important role in the framework of accountable, transparent and participatory financial management of village funds to realize the welfare of village communities. The supervision carried out must be carried out strictly, professionally, cleanly, effectively and efficiently. Supervision of the financial management of village funds can be carried out by (i) supra-village government, namely the district/city government and the central government, (ii) other supra-village bodies, namely BPK and BPKP, (iii) supervision by BPD, and (iv) supervision carried out by society as a subject of development.

Financial management of village funds must be carried out in an orderly manner, in compliance with the provisions of applicable laws and regulations, effectively, efficiently, responsibly, transparently by paying attention to a sense of justice and propriety and prioritizing the interests of local village communities.

#### 4. Conclusion

The conclusion that can be drawn from the description of the discussion above is that the management of village fund allocation is an inseparable part of the financing and financing of village funds as mandated in Law Number 6 of 2014 concerning Villages. This village fund



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funding is realized in the form of the Village APB which is determined by the Village Head and the Village Consultative Body (BPD). Financial management of village funds is regulated in articles 73, 79 and 88 of Law Number 6 of 2014 concerning Villages. The principles of Village Financial Management as stated in Law Number 6 of 2014 concerning Villages are transparent, accountable, participative and carried out in an orderly and budgetary manner. The financial management mechanism for village funds is carried out in the planning stage, village fund distribution stage and village fund allocation implementation stage. Supervision plays an important role in the framework of accountable, transparent and participatory financial management of village funds to realize the welfare of village communities. The supervision carried out must be carried out strictly, professionally, cleanly, effectively and efficiently. Supervision of the financial management of village funds can be carried out by (i) supra-village government, namely the district/city government and the central government, (ii) other supra-village bodies, namely BPK and BPKP, (iii) supervision by BPD, and (iv) supervision carried out by society as a subject of development. Financial management of village funds must be carried out in an orderly manner, in compliance with the provisions of applicable laws and regulations, effectively, efficiently, responsibly, transparently by paying attention to a sense of justice and propriety and prioritizing the interests of local village communities.

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