



A Performance Analysis of Village Fund Management: A Case Study in Lut Tawar District – Indonesia

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Abstract

Objective – This study aims to analyze the performance of village governments in managing financial resources of the budget year 2016 in Lut Tawar District, Central Aceh Regency, according to the Indonesian Minister of Home Affairs Regulation (or PERMENDAGRI) No. 113, 2014.

Design/methodology – This research is a descriptive research with a qualitative approach is a type of research where the researcher describes or deeply analyzes the result of a research about an object and then adds it with sources which already existed in the research object. The data was gathered through number of interviews and document analysis.

Results – The result of the research shows that the performance of the village government in managing fund allocation in Lut Tawar Sub-district at the planning stage has been running well. The implementation stage has been completed where all the programs and activities are executed in accordance with the plan. The administrative stage has been done well by the treasurers and every month the treasurers have accounted for every acceptance and expenditure to the village headmen. In the reporting stage, the delay in submitting accountability report is caused by some negligence by the party from the village government. At the accountability stage, the accountability reports were reported as well as evaluated with the village government community and transparent to the community for every use of village funds in the form of information posted on the information boards in the office of the village headmen and billboards installed in front of the village headman office.

Keywords Village Government Performance, Village Fund Allocation Management, Reporting and Accountability

1. Introduction

According to Mahsun (2009:25), performance is a reflection on the implementation of an activity or policy to achieve targets as well as organizational visions and missions which are included in the strategic planning of an organization. The governing authorities of a village—in this regard the village headman, assisted by other members of the village government such as the secretary, village consultative council, heads of affairs, treasurers and other technical implementers, are the main actors of activities of the governance, development and community outreach.

According to Muchsin and Ahmadi (2016), the role of the village government is very important because it also determines the rise or downfall of the village government units. For this reason, a village government with a high capability and great teamwork in their assigned task implementation is required, especially in managing the village funds. Therefore, the village government has to be ready and capable on transparent, accountable, and participative fund management, as well as conducted with order and disciplinary budget estimation according to article 2 verse 1 of the Regulations of the Indonesian Ministry of Home Affairs Number 113 the year 2014.

In managing the village funds, a good method is required so that the village government will be able to present a performance in accordance to the rules and to what was expected by society so that they will continue to experience progress and improvements as well as live with prosperity. Knowledge and skills on the management of village funds should already be fully understood by the village government so that the realization of the village governmental activities can be performed. Meanwhile, ineffectiveness of fund management can be avoided. To keep a successful financial management, the village head and other staff need to have the high capability in managing the fund so that the results will be as what was expected and dutifully in order. Aziz (2016) found that there were various obstacles in the distribution and use of village funds such as the low capacity of the human resources of the village government and the low participation in the village community in the process of distributing village funds. The performance evaluation is one of the components that are used to find out how well the village government in managing the village fund.

At this moment, society is highly demanding the accountability of district governments as the executants of state duties for the trust that has been assigned to them. In other words, the performance of government offices is getting more attention, because the community begins to question the benefits that are to be gained from governmental services. Moreover on the case of village government, at this time, allocation of village fund continues to increase each year in accordance to the government policy which stated that to build a country, it starts from the development of the countryside. The allocation of village funds from the national budget to Aceh Province continues to improve each year. In 2015, the allocation was as big as 1,707 trillion rupiahs and increased to 3,829 trillion rupiahs in 2016.

The Directorate General of Fiscal Balance, Ministry of Finance, in the webpage of Cabinet Secretariat of Indonesia, mentioned that Aceh in the year of 2016 is the third province with the most village funds received, which was as big as 3,829 trillion rupiahs, only after Central Java Province with its 5,002 trillion rupiahs and followed by East Java Province with 4,969 trillion rupiah funds. With the increase of the village fund allocations, the community continues to question the benefits derived from the services provided by the village government, in this case, such as the management of the village fund allocation. This is the one that motivates the need to measure the performance of governments that accept and carry out the task and mandate from the society.

Receiving a bigger amount of funds from the central government, the village government should have greater roles and responsibility. The village fund for the Central Aceh Regency was also increased. In 2015, it received 77.468.513.000 rupiah and 173.740.512.000 rupiah in 2016. It was to be allocated to the 295 villages in the Regency. The village government should be held accountable to the public regarding the use of the budget in accordance with the law and transparency to the community. With the increase of the village fund allocation, there are also worries felt by the community for a number of reasons such as a concern that not all village headmen and members of the government have an adequate understanding and skills, so it is a concern that there will be irrelevancy in the management and the reports, whether intentional or not.

In the budget year of 2016, from 295 villages in the Central Aceh District, there were some villages that were assessed as not optimal in managing the village funds, because there were a lot of delays in the reporting of Village Administration Realization Report (LPPG) which also resulted in the delay of village fund allocation for the year of 2017. This illustrates that the performance of village governments was not optimal in managing the village funds along with the fact that the village governments were not yet fully implementing the Home Affairs Regulations Number 113 of the Year 2014 article 37 about Reporting.

This research aims to analyses the performances of village governments in managing the village funds in all of the villages in Lut Tawar District, Central Aceh, in the

budget year 2016 based on the Planning, Implementation, Administration, Reporting, and Accountability. Based on the analysis presented above, the researcher was interested to do a research about the performances of village governments in managing the village fund based on the planning, implementation, administration, reporting, and accountability.

2. Literature Review, Theoretical Framework and Hypothesis Development

2.1 Village Fund Allocation

The regulation of the Minister of Home Affairs No. 113 the year 2014 stated that Village Fund Allocation is a fund which stems from the fiscal balance that is received by regencies/cities in their Local Government Budget (APBD). Nurcholis (2011) said that Village Fund Allocation is a fund sourced from Regency's Local Government Fund which is allocated with the purpose of village-to-village financial prosperity distribution to fund the villages' needs in order to do governmental operations and to implement rural improvements, and also to serve the community. The Village Fund Allocation is to be used to supply the village government's programs, community empowerment, rural improvements, and community development. Village fund is received from regencies'/cities' Local Government Budget, which then transferred to the Village's Local Government Budget through the account of the village treasurer.

According to Nurcholis (2011:89), some of the objectives of the Village Fund Allocation are to tackle poverty, to lessen inequality, to improve planning and funding of the rural improvements and community empowerment, to expand the village's infrastructure development, to improve the practice of religious and social culture values in order to increase social upgrading, to improve security and community order, to enhance services to the community in order to expand social activities and economy, to encourage the advancement of self-reliance and mutual cooperation, and to increase the villagers' and village income through Local Government Owned Enterprise (BUMDesa).

Financial reporting refers to a transaction between at least two parties which is the first party as the preparer of financial report with some control on the quality of it and the other party as the user of information contained in the financial report to support his decision making related with the reporting entity as the first party (Rosenfield, 2006).

The conventional objective of financial reporting is enabling outside party to measure the stewardship of management so that he can decide whether any resource (financial and physical) deposited into the entity had already been managed well and appropriately by the manager. Nevertheless, the common objective of financial reporting is the decision usefulness, which is helping some users of the financial report to make a right decision on investing their excess funds into investment instrument or loan into the entity. Another financial reporting objective is the accountability, which is described by Gray et al. (1996) as the obligation to deliver a report or an estimation of some actions for which one is held accountable (Deegan & Unerman, 2008).

2.2 Village Fund Management

Managing the village fund allocation must follow the principles that had been set by The Regulation of the Minister of Home Affairs No. 113 the year 2014 about Village Fund Management, which includes Planning, Implementation, Administration, Reporting, and Accountability of the village fund. Every activity funded by Village Fund Allocation (ADD) has to be planned, executed, publicly evaluated and accountable. ADD must be incorporated in the Local Government Budget and its budgeting must follow the applied mechanism. ADD is implemented with the principle of efficiency, effectiveness, and controllability, as well as accountability administratively, technically, and lawfully.

a) Planning

Village Government arranges the planning of rural improvement in accordance with its authority and refers to the regencies/cities improvement plans. Rural Improvement Plan includes Village' Medium Long-Term Plan (RPJM Desa) and Village Government Work Plan (RKPDesa) which are compiled periodically and set by the Village Regulations. RPJMDesa is intended for 6 (six) years period, while Village Annual Improvement Plan or RKPDesa is intended for 1 (one) year period. RKPDesa is the details of Village' Medium Long-Term Plan. The planning of the rural improvement is compiled based on the agreement made in the community discussion which must be completed by June of the budget year.

b) Implementation

Village fund is prioritized to fulfill the improvement needs that have been agreed upon in the Community Discussion and in accordance with the priorities of either the central government or the province/regency/city government. This matter is already included in the Village Government Work Plan (RKPDesa) which its implementation would be realized through Local Government Budget (APBDesa). The party that would take the most part in the implementation of village fund expenditure activity is the Committee or as known as the Head of Section. In the act of implementation, the first step that needs to be taken by the committee is to submit the proposal to conduct activities. This submission has to include documents such as the Budget Plan (RAB). The Budget Plan has to be verified by the Village Secretary and legalized by the Village Headman. Based on the Budget Plan Activity which has been approved by the village headman, the committee will conduct the process of the activity as stated in the established Budget Plan.

c) Administration

Administrating is a recording activity that is exclusively done by the village treasurer. The media is in the form of a General Treasury Book (Ledger) to record various activities concerning the cash flow, tax book to complement the ledger regarding cash flow associated with tax, and also a bank account book to complement the ledger regarding cash flow associated with the money in the bank

d) Reporting

In accordance with the Regulation of the Minister of Home Affairs No. 113 year 2014 clause 41 which stated that in doing the task and authority, a village headman must deliver a report to the Regent. The report includes: (1) Statements to the Regent/Mayor (through head of district) which is the Semi-Annual Report on the Realization of APBDesa Implementation in the form of the first semester report which should be submitted on January of the next budget year by the latest; (2) Accountability Report on the Realization of APBDesa Implementation to the Regent/Mayor at the end of every budget year, consisting of income, expense and funding, (3) Report on the Realization of Village Fund Expense, and (4) Report of the Village Governmental Implementation submitted by the end of every budget year. Meanwhile, the report to the Village Consultative Committee (BPD) is an elaborate accountability Report on the realization of APBDesa Implementation and consists of Income, Expense, and Funding.

e) Accountability

Every development conducted by the village government must be informed or announced, especially about the financial aspects, not only to the higher government officials but also to the community. It should act as a form of transparency as the principle of village fund management. Accountability Report on the Realization of APBDesa Implementation which follows the law and public openness, it should be informed to the community in a written statement using a media which can be easily accessed by the community, such as announcement board, community radio, and other accessible media in the community. Hasniati (2016) states that the principle of public accountability is a measure that shows how much the level of suitability of services

with the size of the value held by stakeholders. In this regard, Koppell (2005) proposed five elements of accountability consisting of transparency, responsibility, control, responsibility, and responsiveness to explain in what conditions each dimension and what organization is responsible.

f) Village Government Budget (APBDesa)

APBDesa consists of the Village Income, Village Expense, and Village Funding. This is the explanation of APBDesa according to the Regulation of Minister of Home Affairs No. 113 Year 2014:

1) Village Income

Village Income includes every acceptance of money through Village Treasury Account which is the village's right for 1 (one) budget year and doesn't have to be paid back by the village. Village income includes the villager's income, transfer income which is sourced from APBN, APBD, and sharing of local taxes, as well as third-party donation.

2) Village Expense

Village expense is the entire outcome from the village account which is the village's responsibility for 1 (one) budget year which payment will never be re-obtained by the village. This expense will finance the village activities and programs.

3) Funding

Funding includes every acceptance of money that needs to be paid back and/or outcome that will be reimbursed, either on the associated budget year or the next budget years from Remaining Financing of Year Budget or SILPA, a reserved fund and the profit from the sale of the village assets.

2.3 Village Government

According to the Regulation of the Minister of Home Affairs no. 113 Year 2014, Village Government is the coordinator of official affairs and the public interest following the government system of The Unitary State of the Republic of Indonesia which has been bestowed by the Regent in order to run the official affairs. Village Government consists of village headmen who is helped by the other members of the village committee as the element of village governmental implementation and the village consultative council (BPD) as the supervisor at the village level which has the task to approve programs alongside the village headman.

2.4 Village Government Accounting

Sujarweni (2015:17), Village Accounting is the record of the transaction process which happens in the village, proven by notes and then reporting it to produce information in the form of financial statement which can be used by the parties that are involved in the village's financial statement. The cycle of village accounting starts from the recording stage, classification stage, the overview stage, and reporting stage. Village government accounting is carried out based on the principle of Statement of Government Accounting Standards (PSAP), by adhering to the accounting principles in making village financial statements, it will be easier for stakeholders to understand and compare with other village government financial statements (Syaifullah, 2015).

2.5 The Components of the Village Financial Statement

In managing the village fund, an accountability report has to be made based on the fund allocation given to the village by either the central government or the local government. The purpose of the village financial statement is to arrange the presentation of financial statement and to increase the transparency and the accountability of the village fund. The accounting basis for the village government is cash basis for Budget Realization (LRA) and accrual basis for Balance Sheet to produce complete

information based on Statement of Government Accounting Standards (PSAP). The components of the Financial Statements are:

- 1) Report of Village Fund Realization
- 2) Balance Sheet
- 3) Notes on Financial Statement
- 4) Report of Changes in Equity

2.6 The Performance of Village Government

Performance is the representation of results or achievement. Widodo (2005) stated that a performance is an activity whose completion is in accordance with the responsibility and the expected result, in other words, performance is the stages of the success of an organization's goals. Meanwhile, according to Mahsun (2009), a performance is a reflection on the level of implementation of an activity/program or policy in an effort to achieve targets as well as for purposes of organizational vision and missions which are stated in the strategic plan of an organization. Performance can be known if an individual or groups in that organization have success criteria which have been established before. The success criteria are the particular goals or targets that they wish to achieve.

3. Research Method

This research is a descriptive research with a qualitative approach is a type of research where the researcher describes or deeply analyzes the result of a research about an object and then adds it with sources which already existed in the research object. The data was gathered from interviews and document analysis. This descriptive research was done in order to know and analyze how the village governments were performing in managing village funds in Lut Tawar District Central Aceh Regency.

3.1 Source and Technique of Data Collection

The data sources of this research were primary data and secondary data. The technique of data collection used in this research was by the means of observing, interviewing, and documenting.

3.2 Population and Samples

The population in this research was all villages in Lut Tawar District, Central Aceh Regency which consisted of 18 villages. This research used census sampling or saturated sampling method which means that the researcher used the entire population as the sample. The respondents of this research consisted of village headmen as the main authority in managing the village funds and public figures as audiences and assessors on how village government had done their jobs.

3.3 Data Analysis Techniques

The technique of data analysis in this research was:

1) Data Reduction

Data reduction is a process of data selection which focuses on simplification and transformation of raw data from notes in the field.

2) Data Display

Data display is the description of arranged information which resulted in the possibility of drawing a conclusion and taking action. The presentation of qualitative data is in the form of narrative text.

3) Verification and Drawing Conclusion

This stage is the stage of drawing a conclusion. This process is the final activity from data analysis. Drawing a conclusion is an interpreting activity to find the meaning of the data that has been presented.

4. Result and Discussion

The research result showed that the performance of village governments in managing village fund allocations in Lut Tawar District Central Aceh Regency generally was done quite greatly.

1) The Planning Stage of Village Fund Allocation

The governments in Lut Tawar District generally had carried out the planning stage quite successful. It started with the rural improvement planning which would involve the community in hamlet-scale discussions beforehand to determine each priority that would be run by each village. After the hamlet-scale discussions, a village discussion was carried out to plan the village improvement in one budget year. Every plan was integrated into the Local Government Budget (APBDesa). A Village Regulations Draft (Raperdes) about the APBDesa was compiled by the village secretary and the village special team (11 individuals), except there was one village that was involving other village's special team in compiling their Raperdes. Every plan that was already discussed with the village community was then integrated into the APBDesa. Then, the Village Regulations Draft of the APBDesa was announced to the village headman to be approved together with the Village Committee and also reported to the Regent through the Head of District to be evaluated. After the amount of APBDesa was determined by the Regent, the village government then conducted programs or activities according to the established APBDesa.

2) Implementation Stage of the Village Fund Allocation

The result of the interviews with all the respondents in the village government and community showed that in the implementation stage in which the programs and activities had been done was in accordance with the planned agenda and in reference to the APBDesa. A funding proposal was needed every time an activity was needed. The funding proposal had to follow the established steps of activity implementation by the Activity Committee Team (TPK), except for Pedemun One-One Village where the secretary was not transparent and discipline in the implementation stage. An implementation that was not in referent to the established plan would result in a poor executed programs and activities. Beforehand, every activity/program has been planned and discussed with the community but the implementation was not in accordance with what was planned in the APBDesa. It only acted as a formality to get the village fund but later poorly executed. The community stated that that the village secretary was doing a double role and didn't involve the village headman as the main authority. The people of the village had a lot of complaints about the mistakes of the Pedemun One-One Village's secretary in managing the village fund and finally, the secretary had been reported to the District to be followed up.

3) Administration Stage of the Village Fund Allocation

The research result showed that each village in Lut Tawar District had done the administration stage greatly and in accordance with the Regulation of the Minister of Home Affairs No. 113 Year 2014, except for Pedemun One-One Village. The administration was done by the treasurers who recorded monthly income and outcome with accountability to the village headman by attaching every transactions proof such as invoice, bank statement, and other supporting proofs. The report was recorded in the form of general treasury for cash transaction such as the payroll for the members of the governments, tax book for recording every deduction or tax collection either PPh (Income Tax) or PPhn (Value Added Tax), and bank account book to record bank transfers to third parties, like purchasing items above the value of 10,000,000 rupiahs which was not done in cash. Pedemun One-One Village for the

budget year 2016 the administration of income and outcome was accounted for by the village secretary, instead of the village treasurer.

4) Reporting Stage of the Village Fund Allocation

The research result showed that all matter related to reporting process was done accordingly. Every activity was reported to the authorized government official as a form of accountability. It also showed that every report on the realization of the fund implementation was submitted by the village headman as the representative authority to the Village Committee (BPD), which then also reported it to the Official Department of Financial Management (DPK), Official Department of Regency Community Empowerment (DPMK), and lastly to the Regent through Head of District as instructed in Regency Regulations (PERBUP) of Central Aceh which stated that every report of accountability has to be submitted to the Regent of Central Aceh CQ Official Department of Financial Management through the Head of District.

The submitted reports that need to be submitted were the reports on the realization of APBDesa implementation which reported every 2 semesters where the first stage was to be submitted by the end of July and the second stage (end of year report) was to be submitted by the end of January 2017. However, the result showed that not all villages had submitted the reports on time. Some villages were late in submitting the accountability report which should have been submitted by 31 January 2017 caused by some obstacles in the field, such as delays in the accountability report because of an activity which was slow in execution and the field activity reports could only be received after it was done. There were also some accountability reports that didn't include proofs because the proofs were gone and that resulted in the delay of compiling the accountability reports so that the reports were submitted late and caused the village fund for 2017 to be given late by the government.

5) Accountability Stage of the Village Fund Allocation

The results of the research showed the accountability to the community by the local government. The activities were accounted for by the community in the form of Information on the Village Government Implementation (IPPK) announcement board showing details about the title of the activity and the expense. A big banner about the activities or programs of the village fund was installed in front of the village headman's office. There was also an information board that covered every completed activity with all the details on the title and expense including the names of the Activity Committee Team (TPK)'s members. Some villages simply gave the IPPK announcement in their community discussion. Village governments submitted their accountabilities to the Village Committees and the Regent in a form of accountability report on the realization of APBDesa Implementation in the associated budget year, the report of village wealth statement per 31st December of the associated budget year, and the report of village government program. Exceptionally for Pedemun One-One Village, the accountability report to the community was not given like the other villages because the village secretary wasn't transparent and for this act, the secretary has been reported to the officials in the District.

5. Conclusion

The performance of village government in managing the Village Fund Allocation in Lut Tawar District generally is quite good and the process of managing the Village Fund Allocation could be investigated in 5 stages, which are Planning, Implementation, Administration, Reporting, and Accountability. In general, all the villages in Lut Tawar District had done the planning stage accordingly, started by community discussion regarding the programs and activities compiled in the RKPDesa for one budg-

Village Government

et year, and the Secretary and the Village Team which consisted of 11 individuals compiled the Village Regulations Draft (Raperdes) about APBDesa, except for Teluk One-One Village whose Raperdes was compiled by a special team from outside the village. Everything included in the Raperdes APBDesa was a deal made in the community discussion. All the villages had done quite good in the implementation stage. All programs and activities were completed as it was planned beforehand. Except for Pedemun One-One Village, the people executed programs and activities without following the plan, no information is given to the community, and everything was managed only by the order of the secretary.

The administration stage was also done accordingly. Administrations were performed by the treasurer and every month the village treasures have to record all income, outcome, payment, and deduction of tax to the village headman. Except for Pedemun One-One Village in which the financial record was done by the secretary, not the treasurer. In the reporting stage, there were delays in the submission of the reports caused by some negligence by the village government officials. Meanwhile, according to the Regulation of the Minister of Home Affairs No. 113 Year 2014, reports need to be submitted by the end of July by the latest. Some of the villages in the district, approximately 9 villages, submitted the report beyond the deadline. All of the villages in Lut Tawar District had done their accountability to the community and to higher government officials. Regarding the accountability to the community, every village had its Information of Village Government Implementation (IPPK) in the form of announcement boards in the village headman's office, with the details on the name of the activity and its expense. There were just two villages which did not have the announcement boards. These two villages reported their accountability by announcing them in the community discussion and this budget year the villages just made banners as information media.

Based on the analysis of the conclusions, some suggestions that can be expanded later are in this research, the respondents are only the village headmen, secretaries and the community in Lut Tawar District. It is expected that the next researches should expand the samples and the research locations, for the headman of Lut Tawar District, a strict supervision is needed for the village government officials in the area of Lut Tawar District regarding the activity of compiling the report to avoid any delay in the submission of the accountability report to the government. By doing this, there will be no delay in the village fund allocation acceptance for the next budget years. As a suggestion for Village Governments in the Lut Tawar District, especially those who were experiencing obstacles in operating a computer, there should be a computer training program to manage the fund easier by using computer software.

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