

Analysis of Internal Control in Preventing Misappropriation of Village Funds: (Case Study on Sumbermulyo Village Government)



Nurhayati¹, Bambang Suntowo², Sapto Roedy³

^{1,2,3}STIE PGRI Dewantara Jombang & Jln. Prof Yamin 77 Jombang, Indonesia

ABSTRACT: This study aims to determine the prevention of mismanagement of village funds based on internal control. The method used in this research is qualitative. The object of this research is the Sumbermulyo Village Government which focuses on internal control in preventing misuse of village fund management. This research will later analyze internal control in preventing misuse of village fund management. Management of village funds refers to Permendagri No. 20 of 2018 concerning Village Financial Management, Permendes PDTT No. 7 of 2021 Concerning Priority for the Use of Village Funds for 2022 and PP No. 60 of 2014 concerning Village Funds Derived from the State Revenue and Expenditure Budget. Internal control refers to PP No. 60 of 2008 concerning the Government's Internal Control System. The results of this analysis indicate that the management of village funds and internal control at the Sumbermulyo Village Government are in accordance with applicable regulations so that this can prevent acts of fraud

KEYWORDS: Prevention of fraud, Village fund management, Internal control

I. INTRODUCTION

The government distributes village funds in the State Budget (APBN) for each village which are sent through the district/city Regional Budget (APBD) which is used for village development called the Village Fund Allocation (AVILLAGE FUNDS). Village Law No. 6/2014 authorises the government to distribute village funds that are budgeted to the village each year in the APBN and allocated to each village as a source of village income.

Although the village fund programme brings many benefits to village development, in practice there is a lot of misappropriation. According to Indonesia Corruption Watch (ICW), there were 169 corruption cases in mid-2020. Among them, the largest corruption occurred in the village fund budget sector, namely 44 cases with state losses of IDR 32.3 billion (Indonesia Corruption Watch.) Watch, 2020). Misappropriation of the village fund budget also occurred in Dukuhmojo village, Mojoagung sub-district, where there were indications of corruption of village funds amounting to Rp.278.4 million for the construction of retaining walls and social activity assistance funds for the community (jatimpos.id, 2019). Misappropriation of village fund budgets also occurred in two sub-districts, namely in Mojowarno Sub-district where there were indications of corruption of village funds amounting to Rp.281 million. Then the next indication of corruption of village funds in Kepanjen District amounting to IDR 271 million (Kabar Jombang.com, 2021). Therefore, steps are needed to minimise fraud in the management of village funds. One option is fraud prevention or can be called fraud prevention.

Prevention of fraud or fraud refers to actions or efforts to prevent or suppress the occurrence of actions that cause the occurrence of factors that cause fraud. According to COSO, fraud or fraud can be prevented with good and strong internal control. Internal control is a periodic process carried out by all members of the organisation to ensure that the organisation is achieving its goals. Internal control is also used as fraud prevention in the management of village funds. This can happen because well-implemented internal control can minimise the opportunity for individuals to commit fraud.

The research was conducted at the Sumbermulyo Village Government, Jogoroto District, Jombang Regency. The aim is to see how to prevent fraud, considering that there are still many cases of fraud among village governments. It can be seen that the incident occurred near Sumbermulyo village because it is in the same district. Sumbermulyo Village was ranked third as the Best Village Financial Management Good Governance Prospective Village in Jombang Regency in 2021. In 2022, Sumbermulyo village won the award again and is now ranked the first Prospective Village for Best Village Financial Management Good Governance in Jombang Regency (sumbermulyo-jombang.desa.id, 2022). This is clear evidence of transparency, accountability and participation

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in development and financial management as well as good internal control (Rahayu, et al, 2021: 130). Given this, researchers are interested in conducting research with the title "Analysis of Internal Control in Preventing Misappropriation of Village Fund Management". In order to find out how the management of village funds and internal control in the Sumbermulyo village government.

II. LITERATURE REVIEW

1. Agency Theory

The emergence of agency theory is due to the relationship between agents and principals. The agent is contractually employed to perform certain tasks for the principal and is responsible for the assignment of tasks by the principal. The principal is obliged to provide results to the intermediary service. Agency conflicts have a gap in interests. Principals and agents expect maximum profit and risk avoidance (Bandariy, 2011: 14). The relationship between agency theory and the research conducted is that the village government acts as an agent (managing the government) needs to formulate a kind of structured community service technique as the principal. The principal must be able to be a good contributor by the agent, for example, healthy financial statements as well as services. Financial reports are considered feasible depending on the implementation tips of the village government. If the performance of the village government is good, it can make the community trust.

2. Gone Theory

Gone theory states that there are four factors that trigger fraudulent acts from the perspective of human actions, namely greeds, opportunities, needs, and exposure. The greed factor relates to greedy behaviour in everyone. The opportunity factor, which may refer to the conditions of the organisation, agency, public in such a way as to apply fraud. Needs (needs) refers to the factor of individual needs to support life as it should be. The exposure factor refers to the likelihood of fraud detection, the nature and severity of penalties for fraudsters. It is most likely that fraud will be detected if a person's motivation to practice fraud is low. The more the punishment is aggravated in the application of fraud, the less motivated a person is in the practice of fraud. Disclosure of fraud does not guarantee that fraud will not be repeated by the same perpetrator or other perpetrators (Karyono, 2013: 10). The relationship between gone theory and this research is that the tendency to commit fraud lies in greed, the presence or absence of opportunities, needs and consequences of fraud that are considered reasonable. With the reduction in the level of greed, the material desire for self use also decreases, a great shame as a predicate for the perpetrator of fraud with reference to the consequences received which is often called the robber of public money needs to be punished where to minimise it from happening again. While workers with a short working period are inexperienced, there is little indication of fraud and courage.

3. Fraud

Fraud can be referred to as fraud or misappropriation, which means deliberate irregularities and illegal activities for special interests, for example fraud against others in both internal and external environments. Fraud aims to benefit individuals and groups with dishonest opportunities, whether directly or indirectly resulting in deception of other parties. Fraud caused by circumstances and opportunities to support someone to act fraudulently can be due to conditions and methods that need to be minimised. Handling fraud is an effort to prevent perpetrators and close the possibility of more high-risk acts of fraud. Fraud prevention in the public sector is implemented through the issuance of related laws and regulations providing appropriate penalties in preventing or at least reducing fraud. Fraud prevention is an activity that combats fraud at the lowest possible level. Fraud prevention measures result in significant savings related to the cost of detection, investigation and judicial action is emphasised may be ignored.

4. Village Fund

PMK (Regulation of the Minister of Finance) Number 190 of 2021 concerning the structuring of village funds, village funds are part of TKVILLAGE FUNDS (Transfers to Regions and Village Funds) which are expenditures allocating revenue funds to villages to be handed over to regions and villages. Regulation of the Minister of Home Affairs (Permendagri) Number 20/2018 states that regarding Village Financial Management, village finances are all village rights and obligations that are valued in money, as well as everything in the form of money and goods related to the implementation of village rights and obligations. The State Budget allocates funds from the State Budget to village governments for the implementation of village governance, the implementation of development activities, training, community and community empowerment, and other purposes (Asaibani, 2014: 4).

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III. RESEARCH METHOD

This research was conducted in Sumbermulyo Village Government, Jogoroto Jombang Sub-district, Indonesia. This research uses descriptive research type with qualitative method. Descriptive research method is a method that aims to describe or describe systematically how things are in the field through facts and precise interpretations, not only to obtain absolute truth, but to seek understanding from observations (Sugiyono, 2017: 53).

The research uses primary and secondary data sources, by conducting direct interviews with 11 resource persons, namely the village head, finance head, village secretary, BPD chairman, and 7 community leaders who are RT heads and making direct observations in the field.

IV. RESULTS AND DISCUSSION

The management of village funds in Sumbermulyo Village is in accordance with and integrated with village financial management which refers to Permendagri No. 20 of 2018 concerning Village Financial Management, Permendes PDDT No. 7 of 2021 concerning Priorities for the Use of Village Funds in 2022 and PP No. 60 of 2014 concerning Village Funds Sourced from the State Budget.

a) Village fund planning

At the planning stage in Sumbermulyo Village, the village secretary prepares a Draft Village Regulation (RAPERDES) on the Regional Revenue and Expenditure Budget based on the Village Government Work Plan for the year in the Village Musrenbang (Development Planning Conference) which is attended by around 25 people including: 8 people from the village government, 5 people from the BPD, 1 person from the LPMD and the rest from community representatives.

b) Implementation of village funds

The implementation stage in Sumbermulyo Village was carried out by all village officials. The head of finance keeps the cash in the amount determined by the regulations. The head of finance is not only responsible for village revenues and expenditures, the head of finance is also responsible for the expenditure of Regional Revenue and Expenditure Budget funds issued to each institution in the village.

The Head of affairs and Section head who implement the budget activities prepare the DPA within a maximum of 3 working days. Head of affairs and section head implementing budget activities submit the draft DPA to the village head through the village secretary. Head of affairs and section head carry out activities based on the DPA that has been approved by the village head.

c) Administration of village funds

In Sumbermulyo Village, the administration was carried out by the finance head by recording each receipt and expenditure in the general cash book, which was closed at the end of each month. The finance head made a general cash assistant book consisting of a bank assistant book, a tax assistant book and a panjar assistant book.

d) Reporting of village funds

In the reporting stage of Sumbermulyo Village, the village head submits a report on the implementation of the Regional Revenue and Expenditure Budget to the regent in the form of a first semester report and a final semester report. Reporting consists of a report on the implementation of the Regional Revenue and Expenditure Budget, a report on the realisation of activities and a report on the realisation of VILLAGE FUNDS.

e) Accountability of village funds

At the accountability stage, the Sumbermulyo Village Head has submitted an accountability report on the realisation of the Regional Revenue and Expenditure Budget to the regent at the end of each fiscal year. In Sumbermulyo Village, the accountability report for the realisation of the Regional Revenue and Expenditure Budget implementation can be seen on a banner or can be accessed on the web provided by the Sumbermulyo Village Government.

Internal control in the Sumbermulyo Village Government is in accordance with PP No. 6 of 2008 concerning the Government Internal Control System.

1) Village Government Control Environment

In the aspect of the control environment of the Sumbermulyo village government, the village head creates a control environment that creates positive behaviour and is conducive to the implementation of the internal control system.

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2) Village Government risk assessment

The Sumbermulyo village head has conducted a risk assessment consisting of risk identification and risk analysis. The village head applies the precautionary principle in determining the acceptable level of risk.

3) Village government control activities

The Sumbermulyo village head organises control activities in accordance with the size, complexity and nature of the duties and functions of the village government.

4) Village Government Communication and Information

5) The Sumbermulyo village government identified, recorded and communicated information in an appropriate form and time. Communication of mandatory information has been organised effectively. All forms of information can be viewed on the Sumbermulyo Village website, which is managed by the village government.

6) Village Government Monitoring

The village head monitors the internal control system through continuous monitoring, separate evaluations and follow-up on recommendations from audits and other reviews.

V. CONCLUSIONS

Based on the results of the research and discussion above, it can be concluded that the management of village funds in Sumbermulyo Village begins with the planning stage, the village secretary prepares a draft village regulation (RAPERDES) on the Regional Revenue and Expenditure Budget based on the RKPDes for the year in question, before which the village apparatus and BPD conduct Musrenbang. In the implementation stage of Sumbermulyo Village, all village revenues and expenditures are made through the village cash account and are equipped with valid evidence. Administration is carried out by the head of finance where every receipt and expenditure will be recorded and in an orderly manner close the book at the end of each month. The Sumbermulyo Village Head conducts the reporting to the sub-district and then reported to the regency which will later be submitted to the Regent. The Sumbermulyo Village Head then submits an accountability report on the realization of the Regional Revenue and Expenditure Budget to the Regent at the end of each fiscal year. Internal control of the Sumbermulyo village government has covered five aspects, namely the control environment, risk assessment, control activities, communication and information, and supervision.

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