

## **Analysis of Village Fund Budget Management in Bololo Village, North Wasile District, East Halmahera Regency**

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### **ABSTRACT**

Village Fund Allocation is a form of fulfilling villages' right to carry out its autonomy in such a way that they grow and develop based on diversity, participation, original autonomy, democratization, community empowerment, and increasing the role of the village governments in providing services, improving welfare of the community and spurring development acceleration and growth of strategic areas. This study aims to analyze the management of the Village Fund Budget in Bololo Village, North Wasile District, East Halmahera Regency. This study made use the qualitative research in its methodology. The data sources were community leaders, and village heads, chosen to be key informants because they are considered to know extremely well and provide information about the things to be examined, to whom are asked which people will be the main informant. The snowball sampling was used for sampling. Based on the analysis results, it can be concluded that (1) the implementation of Village Fund Allocation (ADD) is uneven and not in accordance with Government Regulation Number 72 of 2005 and Village Law Number 6 of 2014. (2) The Government of Bololo Village, North Wasile District, East Halmahera Regency, in its accountability of Village Fund Allocation (ADD) is only one-sided and does not apply the transparency principle to the community.

Keywords: Bololo Village, Village Fund Management

### **INTRODUCTION**

Village financial management is an overall activity comprising planning, budgeting, administration, reporting, accountability and supervision. It reflects the community's needs and is in accordance with laws and regulations. Therefore, it must be managed in a transparent, accountable, participatory way, and carried out in an orderly and disciplined budgetary. The village financial management policy reflects the alignment with the real needs of the community, and is in accordance with the prevailing laws and regulations, one of which is the Minister of Domestic Affairs Regulation No. 37 of 2007 concerning the guidelines for village financial management, and the regulation of the Regent of East Halmahera Number 55 of 2008 concerning guidelines on village financial management.

East Halmahera Regency is one of the autonomous regions in North Maluku that has implemented the principles of regional autonomy by trying to optimize villages' potentials for the implementation of a clean government. The concrete manifestation of East Halmahera Regency in assisting and increasing village government participation is by continuing to increase the allocation of village funds to support the implementation of authority and household affairs. The Village Fund Allocation is prepared with a fair and equitable formula while still adjusting to the village needs

and the district government budget. The granting of Village Fund from the Government of East Halmahera Regency to the villages in 2008 was legally stipulated in the Regulation of the Regent of East Halmahera Number 55 of 2008 concerning Guidelines for the Implementation of Village Fund Allocation for East Halmahera Regency in 2008, the purposes which are:

1. to increase implementation of village government in applying government services, development, and society according to their authority;
2. to enhance capacity of village community institutions in formulating plans, implementing, controlling, utilizing, maintaining, and developing participatory development in accordance with the village's potential;
3. to increase income distribution, employment, and business opportunities for rural communities;
4. to develop community dynamics in community empowerment;
5. to mobilize and develop participation, mutual cooperation, and self-subsistent community.

Regent Regulation Number 55 of 2008 dated March 6, 2008 concerning Guidelines for Implementing Village Fund Allocation (ADD) explains the direction of the usage to be based on priority scales. It should not be distributed evenly to *dusun/RW/RT*. The implementation must be reported in stages by the Village Implementation Team to the District's and Regency's Facilitation Team. Both responsibility and accountability systems require a clear system and procedure to properly implement the principle of accountability. Therefore, the Regent Regulation Number 55 stipulates reporting and accountability for the management of the Village Fund Allocation, implemented in stages, starting from the Village Level to the Regency Level. The Village's Implementation Team must submit a monthly report on the use of the Village Fund including the implementation and absorption development using predetermined forms. In addition, in each stage of disbursement of the Village Fund Allocation (ADD), the team is required to submit a physical progress report to the District Facilitation Team.

Village Fund Management is under Government Regulation Number 40 of 2014 concerning Village Funds sourced from the State Budget and Revenue jo Government Number 22 of 2015 concerning Amendments to Government Regulation Number 40 of 2014 concerning Village Funds sourced from the State Budget and Revenue aiming to create developed, independent, and prosperous villages through financing government administration, implementing development, community development, and empowerment, without compromising their identities.

Preliminary observations in Bololo Village, North Wasile District, East Halmahera Regency, showed that the Village Fund Allocation in 2015 managed directly by the village government was not transparently reported towards the village community. This made the actual community with a control function and the right to obtain information was not well distributed since there was no notice board displayed at the village office.

The community was not satisfied with the realization of the Village Fund Allocation for they did not get information about the Village's Mid Term Development Plan (RPJMDes), the Village Government Work Plan (RKPD) and the Village Expenditure Budget (APBDes).

Village Law NUMBER 6 of 2014 Paragraph 3 Article 82 Section (1) stating that village communities are entitled to obtain information regarding village development plans and implementation. Section (2) says village communities have the right to monitor the implementation of village development. Section (4) says the Village Government shall inform the planning and implementation of the Village Mid Term Development Plan, the Village Government Work Plan, and the Village Revenue and Expenditure Budget to the village community through information services to the public and report it in village meetings at least once a year.

The description above leads the author to do research on the 2015 Fiscal Year of Village Fund Allocation in Bololo Village, North Wasile District, East Halmahera Regency. The author is interested in taking the title of “Analysis of Village Fund Budget Management in Bololo Village, North Wasile District, East Halmahera Regency”

### **Scope and Limitation**

This study is limited to the management of the Village Fund Budget that is not in accordance with the applicable regulations.

### **Focus of the Problem**

The problems to investigate are:

1. Is the implementation of the Village Fund Allocation in Bololo Village in North Wasile District in accordance with Government Regulation number 72 of 2005?
2. Is the Village Fund Allocation evenly accounted in Bololo Village, North Wasile District?

### **Research Objectives**

The purposes of this study are:

3. To determine how Village Fund Allocation in Bololo Village, North Wasile District are managed.
4. To determine whether the implementation of Village Fund Allocation is appropriate and not in Bololo Village, North Wasile District.

### **Research Benefits**

The benefits of this research are:

5. Theoretical Benefits.  
It provides insight for knowledge improvement, particularly in the public accounting sector.
6. Practical Benefits  
It provides the village government with constructive feedbacks in carrying out its performance.

### **Theoretical Basis**

#### **Village Fund Allocation Management**

The Village Fund Allocation (ADD) Financial Management is an inseparable part of the Village Financial Management in the Village Budget. Thus, it must meet the Village Fund Allocation Management Principles as follows:

- All activities funded by the Village Fund Allocation (ADD) are planned, undertaken and openly evaluated from, by and for the community.
- All activities must be administratively, technically and legally accounted.

- Village Fund Allocation (ADD) is economically and directionally carried out in a controlled way.
- The type of activities funded by Village Fund is considerably open to improve Community Service facilities including Basic Needs Fulfillment, Strengthening Village Institutions and other activities needed by Village Communities predetermined in Village Deliberations.
- Village Fund Allocation has to be recorded in the Village Budget, the process of which should follow the applicable mechanism.

### **Basic Principles in Village Fund Budget Management**

The Village Fund management must be integrated in the Village Budget management. Both of them must equally follow the principles including:

a. Participatory

The management processes, including planning, decision making, monitoring and evaluation, must engage several relevant parties. They comprise not only the village elites (village government, village council, *LKMD/RT/RW* or community leaders) but also other communities such as farmers, workers, women, youths, and so forth. For example, Village Development Plan Deliberation (*Musrenbangdes*) in Tanjungan Village, Klaten is arranged in an open field (not in the village office) at night to ensure all concerned parties are involved. Even children are involved in drawing activities. They are asked to draw the future village they expected to convey what facilities they really needed.

b. Transparency

All parties should openly understand the whole process. In addition, efforts are made to ensure that villagers gain related information about the goals, objectives, results, and benefits they receive from each activity supported by this fund. For instance, several villages in Sanggau, West Kalimantan posts minutes of meetings, plans and village budget statements in public places, to guarantee the whole community could read them.

c. Accountability

The whole process of Village Fund expenses, starting from the proposed designation, implementation and results are accounted for all parties, particularly the village community. As an example, Wiladeg Village, Gunung Kidul, broadcasts live program and budget discussion on community radios. This enables the public to understand budget posts and the output argumentations.

d. Equality

All concerned parties in the Village Fund management are granted equal rights and positions. As for example, in Sedulur Sikep Community (*Samin community*), Central Java, everyone has the same right to speak when discussing an issue. They draw up a certain rule stipulating everyone to have his/her own opinion.

### **Legal Basis for a Village Fund**

- Law no.32/2004 concerning Regional Government Article 212 Section 3 stating that village income sources consist of:
  1. Original Village Revenue;
  2. Regional tax and regency/city levy sharing;
  3. Part of the central and regional fiscal balance funds received by the Regency/City;

4. Assurances from the government, provincial and district/city governments;
  5. Grants and donations from third parties.
- Government Regulation 72/2005 concerning Villages (Article 68 Section 1 Letter c)
  - Circular Letter of Minister of Home Affairs No. 140/640/SJ dated March 22, 2005 concerning Village Fund Guidelines addressed to Regency/City governments
  - Circular Letter of Minister of Home Affairs No.140/286/SJ dated February 17, 2006 concerning Implementation of Village Fund
  - Circular Letter of Minister of Home Affairs No. 140/1841/SJ dated August 17, 2006 concerning the order of Village Fund Provision to the Province as the evaluator and regency/city as the executor.
  - Government Regulation Number 72 of 2005 and the mandate of Village Law Number 6 of 2014 Article 24 concerning Implementation of Village Government principles including:
    1. Legal Security  
The precedence of basis of laws and regulations, compliance, and justice in every policy implementation is a principle in the rule of law.
    2. Solicitous Government Administration  
This principle forms the basis of order, harmony and balance in controlling the implementation of the village government.
    3. Solicitous Public Interest  
This principle aspirationally, accommodatively and selectively accentuates public welfare.
    4. Openness  
It is a hope that opens up the community's right to obtain precise, truthful, and undiscriminatory information about the the village government administration while still paying heed to the the legislation provisions.
    5. Proportionality  
This principle underlines rights and obligations balance of village government violations.
    6. Professionalism  
This principle prioritizes expertise based on a ethics and statutory provisions.
    7. Accountability  
This determines that each activity and the final results of the village administration must be accountable to the village community in accordance with the provisions of the legislation.
    8. Effectiveness and Efficiency  
These determine that every activity must succeed in achieving the desired goals of the village community. Efeciency determines that completed activity must stick to the plans and objectives.
    9. Local Wisdom  
This is to assert that the policy formulation attentive to the needs and interests of rural communities.
    10. Diversity  
It is to ascertain that the village government does not discriminate against certain groups of people.
    11. Participatory

This includes village institutions and community.

### **Previous Studies**

Ketrin Surya (2013) conducted a study on Evaluating the Application of Village Head Policy in Managing the Financial Administration of Empunak Tapang Keladan Village. The research aimed to determine the implementation of the Village Head's Policy in Village Financial Administration Management by examining the conformity of Village Budget, planning, implementation, Statement, and accountability to the general principles of village financial management (transparency, accountability and participatory).

Agus Subroto (2009) conducted research on Village Fund Management Accountability (Case study of village fund allocation management in villages of the Tlogomulyo District of Temanggung Regency in 2008). This research was focused on the application of accountability principle in the village fund allocation management and describing its accountability.

## **RESEARCH METHOD**

### **Research Methods**

This study made use the qualitative research in its methodology. It is expected to be able to produce research results in in-depth descriptions of speech, writing, and or behavior observable in a particular context from a comprehensive perspective.

### **Data Sources/Informants**

The data sources are community leaders, and the village head, chosen to be key informants for they are considered to know well and provide detailed information about the things to examine, to whom are asked which people to be the main informant. Purposive and snowball sampling was drawn up as a source of data in this qualitative research.

### **Data Collection Methods**

#### 1. Field Study

To obtain the data needed, the research was directly conducted on the research-related objects, and by oral/written interviews with concerned parties.

##### a. Observation

The observations were directly made to the objects of research to closely explore the activities in Bololo Village, North Wasile District.

##### b. Interviews

An interview is a meeting of two people to exchange information and ideas through question and answer to construct meanings in a particular topic. The author conducted interviews with the Bololo Village Government, North Wasile District.

### **Data Analysis Method**

The descriptive analysis is the process of transforming research data into tabulations to make it apprehensible. The steps are:

1. The collected data were organized.
2. The data were studied as a whole while making side notes on important findings and encoding them.

3. Furthermore, horizontalizing was made to find and classify statements felt by respondents. Irrelevant (out of topic) and repetitive (overlapping) statements and questions were eliminated.
4. The raw data of written record were then reduced, sorted out, centralized, and simplified.
5. Next, the data were presented by compiling information in a single selective and understandable unit.
6. The conclusion was formulated by conducting a field review to test the appearing truth and validity. The results obtained were interpreted and presented in a narrative form.

#### Time and Place of the Study

1. The place of this study is Bololo Village, North Wasile District.
2. This study had been conducted for three (2) monthson January and February 2017

## RESULTS AND DISCUSSION

### Village Fund Allocation Management

It is an effort to realize good governance establishing fundamental principles, or good governance, including participation, transparency and accountability. Management of Village Fund Allocation (ADD) and Village Budget are inseparable, especially in Bololo Village, North Wasile District, East Halmahera Regency. The Village Fund Allocation Management as outlined in the Village Budget is:

**Table 4.2: Management of Village Fund in the Village Budget of Bololo Village, North Wasile District**

Account Code	Description	Previous Year	Year-to-date	Funding Source
1	2	3	4	5
1	Revenue			
1 1	Original Village			
1 1 1	Revenue	Rp.	Rp. 2,400,000	
1 4	Village Business Results			
1 4 1	Part of Center and Regional Fiscal Balance Funding Village Fund	Rp.	Rp. 200,000,000.	
	Total Income	Rp.	Rp. 102,400,000	
2	Expenditure			
2 1	Direct Expenditure			
2 1 1	Employee			
2 1 1 1	Expenditure	Rp.	Rp. 15,500,000	Village Fund
2 1 2	Honorarium			
	Goods and Services	Rp.	Rp.3,480,000	
2 1 2 1	Expenditure	Rp.	Rp.3,220,000	Village Fund

2 1 2 2	Bussiness Trip Expenditure	Rp.	Rp.8,800,000	Village Fund
2 1 2 3	Office Stationery Expenditure	Rp.	Rp.2,000,000	Village Fund
2 1 2 4	Office Equipment or Supply Expenditure	Rp.	Rp.2,500,000	Village Fund
2 1 2 5	Furniture Expenditure	Rp.	Rp.4,500,000	Village Fund
2 1 2 6	Document Printing / Procurement	Rp.	Rp.2,000,000	Village Fund
2 1 2 7	Expenditure	Rp.	Rp.2,900,000	Village Fund
2 1 2 8	Food and Drinks for Meeting Expenditure	Rp.	Rp.2,500,000	Village Fund
2 1 2 9	Office Maintenance Expenditure	Rp.	Rp.3,000,000	Village Fund
2 1 2 12	Cleaning Equipment And Supplies Expenditure	Rp.		Village Fund
2 1 2 13	Banking Services Expenditure	Rp.	Rp. 20,500,000	Village Fund
2 1 2 14	Musrenbangdes Implementation Facilitation For Village Mid-Term Developmnet Plan (RPJMdes)/Village	Rp.	Rp. 120,000,000	Village Fund
2 1 3	Government Work Plan (RKPdes) Preparation	Rp.	Rp. 2,100,000	Village Fund
2 1 3 3 1 1	Facilitating Activities Of 10 PKK's (Pendidikan Kesejahteraan Keluarga) Main Programs	Rp.	Rp. 3,000,000	Village Fund
2 1 3 4 1	Capital Expenditure Public Facility			Village Fund
2 2	Repairation Expenditure			
2 2 3 1	Small-Scaled Repairation Of Public Facilities And Infrastructures			Village Fund
2 2 5 1	Environment And Settlement Improvement Expenditure			Village Fund
	Expenditure of 120 m <sup>3</sup> Village Fencing			
	Indirect Expenditure Hibah Expenditures			

	Village Security Staff Incentives Financial Assistance Expenditure Indonesia Independence Celebration			
	Total Direct Expenditure	Rp.	Rp.200,000,000	
	Total Indirect Expenditure	Rp.	Rp.3,100,000	
	Total Expenditure	Rp.	Rp.203,100,000	
	Surplus / (Deficit)		Rp. (1,000,000)	

Source: Archive of Bololo Village, North Wasile District, East Halmahera Regency

The table above shows that the Village Fund Allocation Management, and Financial Management of the Village Budget are not perfectly managed. An example of improper allocation of Village Fund is the village fencing. The budget ceiling for the 120 m<sup>3</sup> fencing is Rp. 120,000,000.00, however, in fact, only 75% of it (+ 67.5 m<sup>3</sup>), was completed. Compared to the realization of the Village Fund Allocation, other uneven development and community empowerment implementations were abundant.

#### **Implementation of Village Fund Allocation (ADD)**

The implementation of activities, the funding of which comes from Village Fund, is fully undertaken by the Village Implementation Team. The implementation needs their transparency to the entire community, despite the fact that, the Team glossed over management information transparency. Village Fund Allocation, especially in Bololo Village, North Wasile District, East Halmahera Regency in 2015 was Rp. 203,100,000, while the realization was Rp. 138,420,000. This indicates a yawning gap between the management and budget realization, with a remaining budget of Rp. 64 680,000.

Information disclosure is an obvious attempt of the Village Government to implement the principle of transparency in the management of the Village Fund Allocation, nevertheless it was absent in the management of the Village Fund. This is inline with the following data sources stating:

"There is no information board displayed at the village office. As the head of Village Council, I need to be well informed about the Village Mid Term Development Plan and the Village Government annual Work Plan. Our people are querying what the village annual programs are. I answered that I did not have certain information about any of them. Since I did not have the Village Budget (Statements), I have no control on the village development. (An interview record with the Head of Village Council, on April 9, 2017)

This leads to a conclusion that the implementation of the Village Fund Allocation (ADD) of Bololo Village, North Wasile District, East Halmahera Regency was not in accordance with Government Regulation Number 72 of 2005 and the mandate of Village Law Number 6 of 2014 Article 24 concerning Implementation of Village Government based on the principles of:

1. Legal Security  
The research found that the implementation is not in accordance with the legal and regulatory basis, compliance, and justice in the village government policy.
2. Solicitous Government Administration  
The village government administration was not solicitous and unbalancedly controlled.
3. Solicitous Public Interest  
In rural development, the Village Government is solicitous in the public interest, especially for the village community.
4. Openness  
Bololo Village Government was not open to the community about programs they are running, while information boards are not posted in the Village office.
5. Proportionality  
There is no balance between rights and obligations in organizing the Village Government.
6. Professionality  
Bololo Village Government, North Wasile District did not prioritize expertise based on the ethics and the provisions of the legislation.
7. Accountability  
The Bololo Village Government activities and the final results were not accounted to the village community, and not in accordance with the provisions of the legislation.
8. Effectiveness and Efficiency  
Every activity undertaken was off-targeted, thus the objectives desired by the village community were unreachable.
9. Local Wisdom  
The Bololo Village Government in North Wasile District, in determining the policy, paid little attention to the needs and interests of the village community.
10. Diversity  
The village government policy was formulated one-sided and glossed over transparency.
11. Participatory  
The village development planning did not take the interests of village communities into account.

#### **Village Fund Allocation (ADD) Accountability**

Since implementation/realization of the Village Fund Allocation contained in the 2015 Village Expenditure Budget (APBDes), was uneven or not in accordance with the situation and condition of the community Bololo Village, North Wasile District, its accountability might not be accepted (see tables 4.2 & 4.3). In addition, it is not in accordance with the Village Law No. 6 of 2014, and Government Regulation No. 72 of 2005 Article 68 Section 1 Letter c. The following are the results of an interview with one of the community members:

“The village government has never arranged village meetings to let people also know whether the village program is appropriately carried out or not. People are also confused about what is the responsibility of the District, while the development program has not completely finished.”

(An interview with Mr. Nus. Tjotjomare, on April 10, 2017)

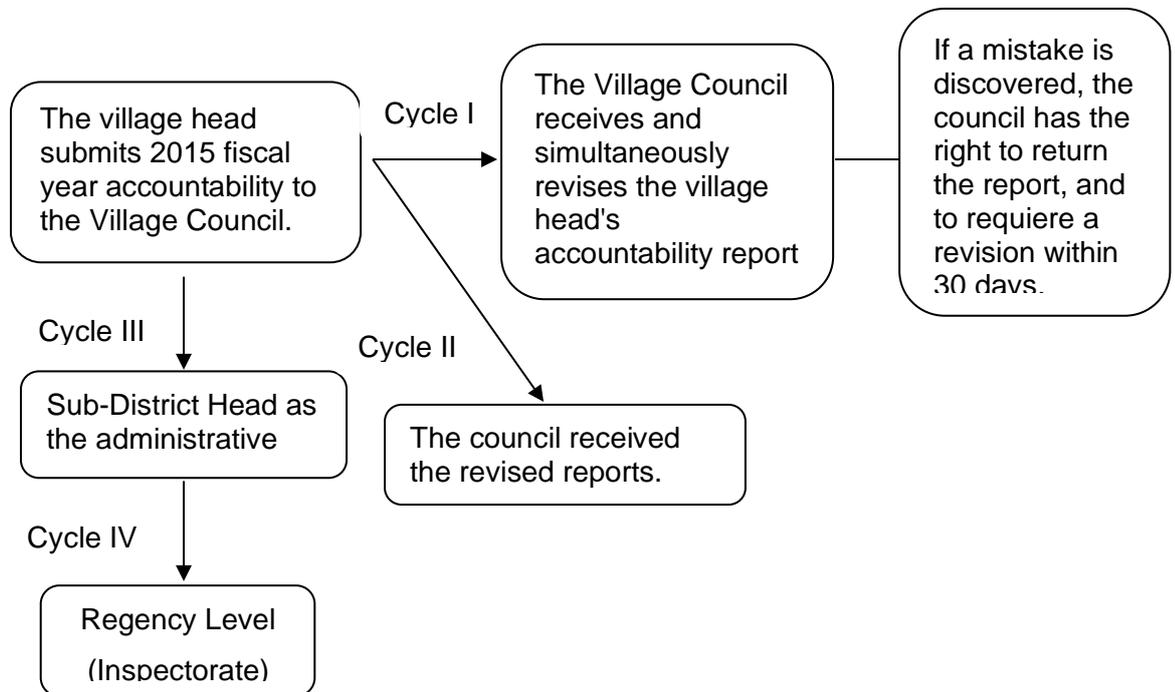
The above opinion is also supported by other community members:

"At the end of each fiscal year the village head or village government should arrange village meetings to report the management of Village Fund as well as the annual work program. However, they have never provided relevant information to the community regarding the management of the Village Fund, even though what we know is that there must be a village deliberation every fiscal year to evaluate the implementation of the village government program before moving to the next fiscal year."

(An interview with Mr. Serly Luminda, on April 10, 2017)

The report must be structurally delivered, ie from the village head, to the Village Council (BPD), to the sub-district government (Kecamatan) as an administrative implementer, and then reported to the Regency Government. In fact, the village head's accountability report at the end of the 2015 fiscal year was not structurally reported. The following structural mechanism for accountability reporting is shown in the figure below:

**Figure 4.1: the 2015 Fiscal Year Reporting Mechanism**



This is according to another informant:

"No, the village head's accountability report does not go through me, the report goes directly to the district through the District Head. It is as if I have no duties and functions as the head of the village control agency. "

(An interview with the Head of Village Council, Mr. B. ED Hopaya, on April 11, 2017)

Another similar opinion comes from one of the council members stating:

"We, Village Council, are waiting for the village head's accountability report at the end of the 2015 fiscal year, but it is not by us. We have no idea about

the report's clarity. Structurally, the village head violated the village administration rule. It is our duty as the council. Although the village head does not heed it, we will submit a report to the Regent for the village head dismissal."

(An interview with Mr. Yermias Bahagia, on April 11, 2017)

This research has summarized findings based the data obtained from the village data and interview results. It provided an explanation stated in this research.

## CONCLUSIONS

### Conclusions

The results from this study and published data support these conclusions that:

1. Village Fund Allocation Management (ADD) is not in accordance with its realization in Bololo Village, North Wasile District in 2015 was Rp. 203,100,000, while the realization was Rp. 138,420,000. This indicates a yawning gap between the management and budget realization, with a remaining budget of Rp. 64. 680,000.
2. The implementation of Village Fund Allocation (ADD) was uneven and not in accordance with Government Regulation Number 72 of 2005 and Village Law Number 6 of 2014.
3. The Government of Bololo Village, North Wasile District, East Halmahera Regency, in its accountability of Village Fund Allocation (ADD) was reported one-sided and did not apply the transparency principle to the community.

### Suggestions

Based on the conclusions above, suggestions to put forward are:

1. Further research needs to be gradually conducted on the Village Fund Allocation to appropriately utilize the budget management.
2. There is a need for Technical Assistance (BIMTEK) to the Village Government on Management of Village Fund Allocation.
3. Pertaining to the Management of Village Fund Allocation, it is recommended that the Revenue Budget be more adjusted to the actual needs.

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