

## DISCLOSING THE TRIGGERS OF FRAUD IN THE MANAGEMENT OF COMMUNITY GROUP GRANT FUNDS (Case Study at Manut Agency of Hilir Province)

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### ABSTRACT

*The purpose of this study is to find out the trigger of fraud in the management of grant funds. This study uses qualitative method with configurative-ideographic case study approach aimed at analyzing the trigger of fraud in the management of community group grant funds more deeply. Data were obtained through interviews with informants consisting of Manut agency, as the manager of society group grant funds, and some grant recipients as well as other parties involved in the management of the grant funds. The result of this study indicates that the trigger of fraud in the management of grant funds is the dominance of access to grant funds by certain parties and the implementation of grant fund management which is not in accordance with the rules that have been set.*

### Introduction

The 1999 reform movement was the beginning of community involvement in development which was marked by the birth of civil society. Community involvement has come true. The community power can be made as a check and balance by the government, as an “authority”, in making policies and determining the direction of development. In addition, it can create a strong relationship between the government and the people. In its process, this change of power pattern also shifts the pendulum of corruption. The community, unfortunately, has also contributed to smooth the practice of corruption. Reflecting on the case of Community Social and Economic Management Program (P2SEM) grant funds occurred in Hilir Province, many stakeholders from educational institutions, non-governmental organizations (NGOs), Islamic Boarding

Schools, and community groups as the grand recipients have been involved in the cases of corruption.

For almost ten years, the cases of grant funds involving multiple elements have been occurring, but the disclosure of the cases is still selective. The existence of grant funds always adorns the Regional Budget documents every year, and even the budget allocation is increasing from year to year. Referring to the Regulation of the Minister of Home Affairs (Permendagri) No 14 of 2016 on grant funds distribution, the post of grant expenditure is one of the most interesting expenditure posts in the Regional Budget which even become the "scramble" of society. This is because this type of expenditure is a non-repayable expenditure. However, in its development, the grant aid often takes victims, both the state and the community, as a result of misuse of grant funds. This can happen at least due to two factors: firstly, the systems and mechanisms made by the local government cannot be implemented properly; secondly, the occurrence of moral hazard among unscrupulous state organizers and unscrupulous community.

The distribution of grant aid by local government is prone to abuse, especially in the run-up to the election of the regional head. There is a tendency that the grant aid is used as a political imaging tool by the Regional Head / Deputy Head, especially the incumbent. The studies conducted by Ritongga et al. (2010); Amalia et al. (2013); Winoto et al. (2015) find that grant funds are used by policy makers for personal and political gain. The studies also find the fact that grant funds are utilized by incumbents for the interest in nominating regional heads. This is evidenced by inappropriate grant recipients and disbursement processes that are inconsistent with the procedures and designations. Various modes of practice are used through budgeting in Regional Budget so that the allocation is less appropriate on the target, although actually

there are many other people who really need the grand.

For the Hilir provincial government, the grant fund program is an integral part of Regional Budget management. The allocation of grant fund to the Hilir provincial government has increased every year. Hilir provincial government has an obligation to improve the welfare of the community but unfortunately it has the limitation to apply the program directly so that the grant funds mechanism is considered the right solution. Here is a description of the allocation of grant expenditure in Hilir Province:

**Table 1**  
**List of the Amount of Grant Funds**

No	Year	Allocation
1	2012	3,86,450,909,000
2	2013	4,193,687,850,000
3	2014	4,536,420,310,000
4	2015	5,270,776,500,000
5	2016	7,366,046.600.000

Source; Regional Regulation of Regional Budget, BPKAD of Hilir Province, processed

The increase in grant allocation in the Regional Budget of Hilir provincial government is reasonable. The increase is caused by several factors, such as the increase in income, size of region, target program, etc. This is based on an interview with Mr. Mario, who says:

*"As explained earlier, the increase in grant allocation is a natural thing. This increase is due to the increase in the provincial budget. Besides, it is also caused by an increasing need. An increase in grant means an increase in the proposed development fund or grant fund by the community."*

Based on the interview, it can be explained that the increase in the allocation of grants for Hilir province is a reasonable, especially when measured by the size of the region and the amount of Regional Budget. In addition, the increase in the grand funds is also caused by the amount of grant proposed by the community and the policy taken by the the local government. Based on the above background, the problems that will be revealed in this research is: What are the triggers of fraud in the management of grants funds given to the community groups in Hilir provincial government.

**Method**

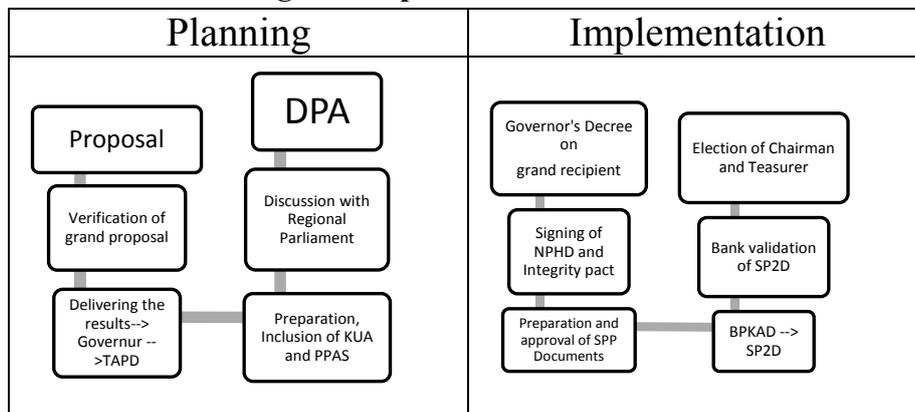
This research was conducted to reveal the social reality without reducing the substance and purpose of the study (Kamayanti, 2016). The research objects were Manut Agency of Hilir provincial government and the community group as the grant recipient. This research

was conducted using qualitative method, with a case study approach. It was chosen for a specification on an occasion (Creswell, 2014). Data were obtained through interviews and from other supporting documents to identify and analyze the trigger of fraud in the grant management process.

**The Description of Grant Funds Management**

The management of grant funds in Manut Agency refers to Governor Regulation Number 40 of 2016 on the procedure of planning, budgeting, implementation and administration, reporting and accountability, and monitoring and evaluation of the grant aids. Based on this Governor Regulation, grant funds management is divided into three main phases: planning and budgeting, implementation, and accountability. Planning and implementation mechanisms by Regional Work Unit are formally arranged as follows:

**Figure 1  
 Planning and Implementation Mechanisms**



Implementation of grant funds is an implementation of decisions aimed at achieving the objectives that have been decided in the policy (Vries, 2013). But in practice, the mechanism is not running properly. Based on information from Mr. Abel, the representative of Manut Agency, his agency was not involved in the process of planning and management of

grants. His agency was only designated based on the Budget Execution Document (DPA) given by the Local Government Budget Team (TAPD).

Budget Execution Document (DPA) is the basis for the management of grant funds in this Regional Work Unit (SKPD). The involvement of Manut Agency in the planning

process leads to the omission of administrative selection and verification of proposals and recipient candidates. Administrative selection and verification of this proposal are important as governor's guidance in determining the allocation of grant funds and potential recipients. The same thing was conveyed by one of the grant recipients who said that he had applied for grant funds through his right-hand friend, a member of Regional Parliament of East Java Province.

**Pattern of Fraud in the Management of Grant Funds**

The definition of fraud in the management of grant funds covers not only

the incompatibility between the guidelines and the implementation, but also various forms of fraud and activities that could harm the State's finances. Discussion of fraud patterns includes fraud at the planning, implementation, and accountability phases. At the planning phase, the submission of the community group grant funds is not accompanied by a proposal and the submission is done through informal talks. The implementation phase includes fictitious activities and the work done by third party. The accountability phase includes fictitious accountability report. The pattern of fraud in grant funds can be seen in Table 2, as follows:

Table 2  
 Pattern and Modus of Fraud in Grand Funds Management

Pattern of Fraud	Modus
Agency is not involved in the planning	Manipulation of budget
Submission without a proposal	Manipulation of Community Group
Survey not done	Manipulation of activities
Buying and selling program	Fictitious activities
Establishing community group as formality only	Marking up
Broker of grant funds	Manipulation of Accountability Report
Bribery	Recommendation
Disbursement done by broker	
Fictitious activities	
Activities done by third party	
Fictitious Accountability Report	
Delayed Accountability Report	

Unusual behavior and dishonesty with the intention of deceiving other people are parts of fraud (Sudarmo et al., 2008). So, fraud perpetrators can be categorized as the perpetrators of corruption.

**The Trigger of Grant Fund Corruption Grant Funds are Full of Interests**

Grant expenditure is one of the expenditure accounts in the Regional Budget

(APBD) which often attracts public attention. This is because there are many parties who are concerned with the grant aid. The parties can be from executive and legislative. For the executive, grant funds are widely used to accommodate various interests, both for the benefit of the welfare of society and for political interests. For the legislative, the development budgets are widely utilized by the community in his electoral region as a form of the fulfillment of his promise during

the campaign, in addition to following up the community's proposal. MD3 Law states that Regional Parliament has the function of legislation and budgetary supervisory. This means that the MD3 Law provides an obligation to the members of Regional Parliament to absorb, collect, accommodate and follow up on community aspirations. The obligation is then used for a rationalization through the proposed program of activities. This was proven in an interview conducted to Joni (pseudonym), one of the members of the Provincial Parliament of Hilir Province:

*"The members of Parliament have several obligations: 1) collecting the community aspirations. It is done periodically with the aim of meeting constituents in the respective electoral region which is then called a recess. The recess becomes a means of absorbing aspirations directly to the community to know the management of Regional Budget and other local government policies, either the benefit or the impact. From this recess, there will be recommendations and suggestions; 2) following up the aspirations of the community. The results of the aspirations collection are then followed up institutionally to the relevant Regional Work Unit to be accommodated in the Regional Budget program of the following year. The form and mechanism of the program are then submitted to the executive."*

From the above interviews, it is clear that the members of the Regional Parliament have an interest in the development program especially regarding the proposals that have

been submitted and obtained through the recess forum. The impact of its management cannot be separated from the conflict of interest. This is in accordance with the research conducted by Sjahrir, et al., 2013, that the approval of the Regional Budget raises the conflict of interest. This occurs due to the authority possessed by members of Regional Parliament. This authority is used to "pay" their promises during their past campaigns.

### **Structured and Massive Brokers**

The existence of a grant fund broker is very easy to detect. First, during the preparation of Regional Grant Agreement Text (NPHD), he is the busiest person in conditioning his community group. The tools he carries are quite complete, starting from the laptop, printer and operator. These tools are brought to anticipate any proposal improvement. Second, through tracking. This step is a bit difficult because if we do not have access, we will not be allowed to enter this area. This area is said a "secret" area. The researchers tried to search by going to the "headquarters" which served as the coordination center. The house inside this residential area was a new house belonging to an official. The position held was an important position and closely related to political parties and elections. When the researchers arrived, the researchers were greeted with a smile and said "sorry a bit messy, friend". Others said "pursued by the target". Seeing some people who were busy with laptops and printing, others were busy stamping and recording just like the administrative affairs in the office. The researchers found that what they were doing some unfinished Accountability Report of the community group as the grant recipient fiscal year 2016 and unfinished proposals for fiscal year 2017.

For more details, the researchers looked at some of the ceramic piles that were later believed to be an "inscription". Inscription serves as a marker and information that the

development carried out was sourced from the Regional budget of Hilir Province and listed the name of the community group as the recipient. Further investigation indicates that the ceramic pile was an inscription that had not been distributed to the grant recipient of the fiscal year 2016 to be put at the location where the activities were carried out.

Continuing on the next few days, when the researchers came to the same house, the researchers found many parked vehicles on the street in front of the house and found many people pacing back and forth in and out of the house. From interviews with several people, it was found that they wanted to submit copy of ID card and account in the name of the community group. Some of them were the people who were responsible for the community groups as the recipient. The researchers could not find the leader of the community group, but the one who was responsible for the management of the community group grant funds. The copies of identity cards and community group account served as an enclosure in the submission of a grant funds proposal. In carrying out the action, this team worked from preparing proposals to making accountability reports. The team was working in accordance with their respective areas. Each one was responsible for the community group he supported. The community group he supported could be more than one community group in accordance with the ability to recruit and account for the agreement or to care for the commitments made. From the description above, it can be illustrated that the grant funds of Hilir Province are controlled by certain group. This group is commanded by people who have a downward and deep-rooted network. This "commander" is a person trusted by the people involved in managing the Regional Budget. The existence of this community group is due to a relationship of interest established on the basis of mutual benefit in material matter and other interests.

### **Unclear Monitoring**

In accordance with the Governor Regulation Number 40 of 2016 on Procedures for Budgeting, Implementation and Administration, Reporting and Accountability, and Monitoring and Evaluation of Grants And Social Aids, Article 50 related to monitoring and evaluation explains that related agencies (Regional Work Unit / Bureau) are obliged to perform monitoring and evaluation of grants and social aids. In reality, Manut Agency is not equipped with sufficient financial to perform monitoring. Reality in the field indicates that the monitoring on the implementation of Community Group cannot be done thoroughly. This was conveyed by Mr. Abel, the representative of Manut Agency, "*The implementation of monitoring is not done in a comprehensive manner, because the Regional Work unit considers the monitoring activities are not the duty of the Regional Work Unit.*" Furthermore, Mr. Abe explained, "In accordance with the Regulation of Minister of Home Affairs and Governor Regulation, the management of grant funds at Manut Agency is until the stage of Regional Grant Agreement Text (NPHD) and Disbursement. The monitoring is ideally implemented by inspectorate because the budget is attached there. The lack of synchronization in the management of monitoring or supervision indicates the absence of provision that regulates the responsibility in the implementation of monitoring for the agency appointed by the governor."

### **Regional Parliament is given Space to apply for the program**

One of the contents of the attachment in the Governor Regulation No. 40 of 2016 on Procedures for Budgeting, Implementation and Administration, Reporting and Accountability, and Monitoring and Evaluation of Grants and Social Aids is that the grant proposal can be made through legislative members. Based on a closed interview with some members

of Regional Parliament, it is found that the members of the Regional Parliament can give recommendations on the proposal of community groups to get grant aid to the executive. Besides, the "recommendation" is a form of the follow-up of the proposals / aspirations presented by the community during the recess of the members of the Regional Parliament. But in practice, the members of the Regional Parliament can recommend programs outside their electoral region. As stated by Abdul, the grant recipient of the fiscal year 2015;

*"I applied for grants to the provincial government through a friend who happened to be a "staff" of the member of the Regional Parliament. I proposed two activities, and both were fit the order."*

The above interview explicitly states that the submission of grant funds through the legislative members of Hilir Province is very effective. And even the amount of allocated funds is approved in accordance with the request of the "client". The growing information which says that a member of legislative has a "quota" of budgets in the Regional Budget to be allocated to the Community Group can be true. The large authority owned by the members of legislative is then utilized by their supporters to access the Regional Budget program. This opportunity is also used by the members of the legislative to get closer to their constituents by making recommendations on their needs through Regional Budgets.

### **Conclusion**

Fraud in the management of community group grant funds in Hilir Provincial Government is done in marathon by the executive, legislative and community. Fraud in the management of community group grant funds is indicated to have been done in a massive, structured and even organized way.

This certainly has an impact on the results and objectives to be achieved. The trigger of this fraud is the pressures and needs of each actor which then develop into a rationalization in order to meet the personal and group interests.

### **Limitation**

This research cannot be separated from some limitations. The limited understanding of grant-related regulation and the lack of detailed supporting data have made the researchers difficult to conduct the analysis. Research on fraud in grant funds management is a unique issue because both the recipients and the givers are seen to be equally beneficial. The confidentiality contained in the issue has made it difficult to find the parties who are willing to be informants. Therefore, there is possibility that the informants do not provide the data honestly.

This study focuses on grant funds given to community group. And of course, this study provides different results from those that use different research objects and models, such as grants products or grants to institutions or Regional-Owned Enterprises (ROEs).

### **Suggestion**

#### **Suggestion for the Government**

Based on the findings of this research, it is suggested that both the provincial government agency and grant fund management agency implement grant funds management procedures in a disciplined, transparent, integrated manner. Therefore, the results of the implementation of the grand funds should be monitored and audited regularly. The findings of this research are expected to be used as consideration and development in policy making to anticipate the more severe impact. The finding of fraud in the implementation of grant funds management should be immediately acted upon otherwise it can cause acute moral degradation.

### Suggestion for Further Research

This research focuses on the trigger of fraud in grant funds management only. Therefore, it is suggested that the next research investigate the trigger and pattern of fraud in the implementation of grant products management.

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