

Guarding Village Funds as an Implementation of Anti-fraud Program to Prevent Corruption of Village Funds

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ABSTRACT

The village is one of the supporting elements in the government system. The government has allocated large amounts of village funds to improve infrastructure, economy, education and community welfare. The village head is the person who is responsible for community welfare and village development. However, unfortunately the village head has even become the perpetrator of fraud in the form of corruption. This shows that the village head, as the leader, does not have a high sense of integrity. The formulation of the problem in this study is how to guard village funds as the implementation of an anti-fraud program to prevent corruption of village funds. The research method used is qualitative research using secondary data. The results of this study show that guarding village funds as the implementation of an anti-fraud program to prevent corruption of village funds can be done by forming a special supervisory agency for village fund management, channeling village funds by one ministry, evaluating by several ministries related to village funds, optimizing the duties of law enforcement officers, and providing education to villagers about corruption.

Keyword: Village Funds, Corruption, Fraud.

1. INTRODUCTION

According to Law Number 6 of 2014 concerning Villages, village is a legal community unit that has territorial borders and authorities to regulate and administer government affairs and the interests of the local community based on community initiative, rights of origin, and / or traditional rights that are recognized and respected in the government system of the Republic of Indonesia. The enactment of the Village Law is expected to bring a new paradigm in development. Welfare and economic prosperity do not always reside in cities. Building Indonesia must start from the village.

Law No. 6 of 2014 has mandated that every village throughout Indonesia receive

funds of one billion rupiah through the state budget to develop villages.

According to data from BPS- Statistics Indonesia, the province that has the most villages is Central Java with 8,559 villages, followed by East Java with 8,496 villages and Aceh with 6,508 villages. Meanwhile, the provinces that have the least village areas are DKI Jakarta with 391 villages and the Bangka Belitung Islands with 267 villages.

The realization of village funds is carried out by improving the performance of basic public services in the regions, so that indicators of a prosperous community can be seen and efforts are made to achieve them. The main program of the village funds is to build infrastructure

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and empower village communities, so that village potentials can be explored and managed properly and optimally. The use of village funds is directed at economic activities that can increase economic growth through labor-intensive schemes so that people's purchasing power increases.

There are many villages that have developed with the existence of the village fund program, but there are also many problems that still arise regarding the improper management of village funds, such as the case of misuse of village funds. One by one, the village head and or village officials are involved in cases of village fund corruption. Hundreds of village heads throughout Indonesia are known to be involved in cases of misuse of village funds.

The broad authority of village and village heads has provided opportunities for efforts to encourage the growth and development of village autonomy, but on the other hand it becomes a kind of "disaster" if it is not accompanied by good management. Fraud is a deceptive act that is committed intentionally by someone with the aim of gaining profit for oneself which has unconsciously caused harm to other parties. Fraud is not always the same as a crime. Fraud that is not a crime is categorized as operational risk, while fraud which is also a crime is categorized as illegal. Fraud is often found in a company or government organization.

The Black Law Dictionary defines fraud as an intentional or false statement of a truth or a situation that is hidden from a material fact that can influence others to take action that is detrimental to other parties, usually in the form of errors, but in some cases, especially those that are done intentionally, could be in the form of a crime. Contextually, fraud is a fraudulent act or merely corruption. However, holistically, fraud cannot be viewed as merely a corrupt activity, even though it is true that corruption is a part of fraud itself. Fraud consists of Corruption, Fraudulent Statement, and Asset Misappropriation.

Corruption can be in the form of a conflict of interest, bribery in any form, kickback gifts for a job or project, bid rigging, illegal gratuities, or gifts under bribes hoping for a long-term good relationship. The allocation of village funds in 2020 was increased by IDR 2 trillion, so that the budget reached IDR 72 trillion, in contrast to 2019 which was only IDR 70 trillion. So in 2020 per village on average got a fund of IDR 960 million, compared to IDR 933 million in the previous year. This means that the government really hopes that all villages in Indonesia will advance and not be left behind, and the government always tries to increase village funds every year.

Unfortunately, the increase in village funds is not matched by sustainable empowerment of human resources, especially for village officials as provisions for managing these village funds, and the absence of development and campaigns regarding the importance of a culture of integrity at the urgent level. Finally, fraud is very easy to do and is considered not to be a fraudulent act. With the passing of Law no. 6 of 2014, the village government will receive funds, both from the local government and from the central government. The gradual disbursement of funds is based on taking into account the capacity of the state budget and national fiscal, including considerations of population size, poverty rate, area size and geographic difficulty.

Given the large budget allocated for village funds, special attention is needed from the office holders related to supervision so that village funds can be managed transparently and accountably. One example is the corruption case of village funds committed by the head of Matang Ulim Village, Samudera District, North Aceh Regency in 2017, where the village head had embezzled funds of IDR 325 million for his own interests by embezzling the money from the village treasurer and then using it for a vacation to Malaysia and other purposes. The case

of embezzlement of village funds has resulted in losses to state finances. If this is allowed, the losses to state finances will increase over time.

Even since 2017, village fund corruption has been included in the top 5 types of fraud that are widely practiced. Thus, it is necessary to have further research on the allocation of village funds as an effort to prevent fraud so that corruption does not occur at the village level. In principle, efforts to prevent corruption are easier to carry out than prosecution of cases that have already occurred. Corruption that occurs in Indonesia is generally carried out in groups. In fact, there are many corruption cases involving almost all parties in a division or department.

Basically, fraud can easily occur if:

- The absence of internal and external supervision or weak supervision, or perhaps the party appointed as supervisor is not given more power to freely carry out supervision.
- The absence of culture of integrity in the supervisory unit.
- Too many parties that have been authorized to participate in supervision.

Research related to village fund corruption in Pandeglang, Banten revealed that of the 33 sub-districts in charge of 326 village administrations in the 2017 budget year, on average there were one to two villages that experienced problems with remaining budget above 30% in the previous fiscal year and there were 10 villages, or 3.1% of the 326 villages whose budget was less than 50% in the realization of stage I. It can be concluded that the supervision of village fund management carried out by the regional apparatus of Pandeglang Regency, such as the Community and Village Government Empowerment Office (DPMPD), inspectorates and sub-districts, have not run optimally. This is mainly due to a lack of human resources.

This illustrates the weakness of the monitoring and evaluation system related to the absorption of village funds by

village officials. Based on the background described above, the problem formulation in this study is to find out how to guard village funds as an implementation of the anti-fraud program to prevent village fund corruption. This research uses a descriptive qualitative approach. The data used in this study are secondary data collected from books, journals, online media articles and interviews with respondents (informants). The data that has been collected is then analyzed through literature study and structured interviews.

2. RESULT AND DISCUSSION

The village fund program has become the government's top priority which is applied by increasing the village fund budget every year. In its third *nawacita* (nine priority agendas), the government seeks to carry out development from the periphery by strengthening regions and villages within the framework of a unitary state. Based on the findings of the Indonesia Corruption Watch (ICW), from 2015 to 2017 there were 154 cases of corruption related to village funds. In the second year of allocating village funds, in 2015, there were 17 cases.

The number of cases then increased to 41 cases in 2016, until finally the cases jumped more than twofold to 96 cases in 2017. The increase in cases of corruption in village funds every year is very unfortunate. This indicates that the objectives and implementation of the village fund program, which involves a very large budget, have not been achieved. The increasing number of cases every year proves that the absence of increased supervision and guidance to village heads has made fraud easy to commit. As we all know, the village fund budget is always increased every year.

However, an increase in the budget without being matched by the optimization of supervision and tight upgrading will only backfire for power holders in the village. The hope of developing a more advanced village has made corruption even more rampant and has reached the village level.

Table 1. **Village Fund Corruption Cases for 2016-2020**

Village Head / Lurah	Regency / City	Alleged Corruption	Information
Pranajaya	Dukuhmojo Village, Jombang Regency, East Java Province	Misappropriation of village funds of IDR 278.4 from two activities carried out in 2018.	The state losses were from a fictitious wall construction project and financial assistance for Early Childhood Education (Indonesia: PAUD)
Tosim Budi Susilla	Sukajaya Village, Cisewu District, Garut Regency	The embezzlement of Village Fund Allocation of IDR 501 million by exaggerating the withdrawal of village funds in 2018.	The defendant kept and managed the village funds by himself, which should have been done by the treasurer. The money that was corrupted came from infrastructure development and community empowerment.
Abdul Haki	Sumbersalak Village, Ledokombo District, Jember	The use of Village-Owned Enterprise money for personal gain is IDR 600 million.	The defendant took the village funds that had been disbursed through the treasurer, then the money was not used as planned.
Hasan	Gunggung Village, Pakuniran District, Probolinggo.	Misuse of village funds with a loss of state money of IDR 190 million	Corruption that was committed originated from fictitious projects and wages that were not given to workers.
Abdul Latif	Surajaya Village, Lemahabang District, Cirebon	Misappropriation of village funds of phase I amounting to IDR 354 million in 2017.	Borrowing village funds from which the money was then doubled. The money was originally earmarked for project development.
Samsudin	Mopaano Village, Lasalimu District, Buton .	Corruption of Village funds of phase I amounting to IDR 471.6 million in 2017	Disbursing money by forging the treasurer signature.

Source: Processed data

The table regarding several cases of village fund corruption in the period of 2016-2020 is as follows.

Based on the table of cases of corruption in village funds for 2016-2020 above, it can be concluded that corruption cases continue to increase every year with different *modus operandi*. This proves that the integrity of the village apparatus leaders is very low. Lack of coordination between law enforcers as the party with

the authority to investigate corruption crimes is also one of the reasons that fraud is easy to commit. Not all corruption that occurs in the village sector is related to village fund corruption. From a total of 154 cases from 2015 to 2017, it was found that 27 cases were not classified as corruption in village funds.

This proves that there are many ways and modes of fraud committed by the village head. Law enforcers must also be

able to distinguish between true corruptors and unintentional corruptors (pseudo-corruption). In fact, there were several acts of fraud that were committed on the basis of ignorance that these acts were classified as corruption crimes. For example the village head was arrested for improving the quality of the flood-retaining structures by reducing the length of the buildings. After that he took the initiative to extend the flood-retaining building using other sources of funds and community fees. Then he forgot to include changes to the building budget plan.

The village head was the actor who committed the most fraud. A total of 112 village heads have been detained for fraudulent acts, 15 village heads in 2015, 32 village heads in 2016, and 65 village heads in 2017. Apart from the village head, it turned out that village officials were also often involved in village fund corruption with a total of 32 people. Meanwhile, there were 3 people who were the family of the village head who were involved in the corruption case of village funds.

In the Minister of Home Affairs Regulation Number 113 of 2014, it is explained that the village head is the holder of power as well as the manager of village finances. In addition, in carrying out their duties, functions and obligations, the village heads are obliged to follow the directions contained in the law, such as:

- Submit a report on the implementation of village governance at the end of each fiscal year to the Regent or Mayor.
- Submit a report on the implementation of village governance at the end of the term of office to the Regent or Mayor.
- Provide a written statement of government administration to the Village Consultative Body (BPD) at the end of each fiscal year.
- Provide and or disseminate written government administration information to village communities at the end of each fiscal year.

In cases of corruption in village funds, there are several *modus operandi* that are often carried out, including:

- Making a Draft Budget above the market price then paying it based on another agreement;
- The village head is responsible for financing the physical building from village funds even though they come from other sources;
- Borrowing village funds temporarily by transferring funds to personal accounts and then not returning them;
- Deductions from village funds by the perpetrators;
- Creating fictitious business trips by falsifying lodging / travel tickets;
- Marking Up payment of village apparatus honorarium;
- Payment of office stationery that is not in accordance with real cost by falsifying proof of payment;
- Collecting taxes, but the tax collection results are not deposited with the tax office;
- Purchasing office inventory using village funds but intended for personal use.

The theory related to fraud that can support village heads to commit corruption is Crowe's Fraud Pentagon Theory. This theory explains that there are five elements that encourage someone to commit of fraud: pressure, opportunity, rationalization, competence, and arrogance. Pressure is an impulse that causes a person to commit fraud, in the case of acts of corruption committed by the village. For the village head, the pressure element can come from various factors, such as economic, political and self-reliance factors. Opportunity is an opportunity that allows fraud to occur.

It is usually caused by weak internal control, lack of supervision, and or abuse of authority in an organization. Rationalization is an important element in the occurrence of fraud, where the perpetrator seeks justification for his actions. A village head who commits acts of corruption will argue that his actions are for a good cause, but in reality this is not the case. Competence / capability is the ability of the village head to ignore

internal controls, develop concealment strategies, and control social situations for his personal gain. Arrogance is a person's superiority over his rights and feels that internal controls or company policies do not apply to him. In this case, the village head is the highest position in the village-level management structure.

So there is a possibility that the abuse of office is also a factor that triggers corruption of village funds. Widespread corruption at the village level also indicates the development of local elite capture. Supervision of village funds is a series of stages that need to be considered in overseeing the allocation of village funds so that they reach the community, in accordance with their main objective, namely welfare. Quality supervision will result in equitable distribution and economic growth in the village so that welfare indicators can be achieved.

If the welfare of villages increases, the development gap between rural and urban areas can be resolved. There are many factors that have led to massive fraud in the village. First, it is difficult to find qualified human resources to occupy the position of a village head. Second, the lack of knowledge of village officials regarding village administration. Third, the lack of supervision by internal supervisors such as the Village Consultative Body (BPD). Fourth, there is no transparency and accountability for the use of village funds. Fifth, there are very few corruption cases at the village level that have been prosecuted by law enforcers. Sixth, there is no independent supervisory body, outside the structural task, to oversee the use of village funds.

High hopes without being accompanied by a realistic implementation will only create opportunities for corruption. There is great concern that the use of village funds budget that is not right on target can lead to corruption by village heads and other village officials. In addition, it is also necessary to know the *modus operandi* used by the village fund corruptors. The

aim is that if the activities carried out by the village head or village officials are suspected of being a criminal act of corruption, the village community can immediately report it to the Police.

Even though there are law enforcers who can take action against corruptors of village funds at any time, the reality in the field shows that there is still corruption of village funds that is unknown and cannot be reached by law enforcers. Accountability is the key to the success of an oversight. So far, cases of corruption in village funds have occurred because the supervision carried out by existing apparatus, such as the Village Consultative Body, has not functioned optimally. It is necessary to provide education to the village community regarding fraud which results in corruption at the village government level. After receiving this education, it is hoped that the community can also play a role in overseeing the running of the bureaucracy in the Village Government.

In carrying out transparency of village funds, village officials often only display the budget in poster form at the village hall. In addition, the data displayed is only general and not specific, so that the community cannot monitor village funds optimally. The Government responded to the failure of the Village Consultative Body in guarding village funds by establishing a Village Fund Task Force (Satgas DD). However, until now there has been no real activity carried out by the task force, and even cases of corruption in village funds continue to increase every year. Therefore, the failure of the Village Consultative Body and the Village Fund Task Force in overseeing the allocation of village funds must be resolved immediately by forming a special supervisory body consisting of harmonization between institutions and state agencies. The independent supervisory body can have members from each related agency or institution, such as the Ministry of Home Affairs, Ministry of Villages and Development of Disadvantaged Regions and Transmigration, Ministry of Finance,

the Audit Board of the Republic of Indonesia, and Financial and Development Supervisory Agency.

This special supervisory body is tasked with overseeing the use of village funds and making reports and reporting on corruption crimes to the Police or the Attorney General's Office. Evaluation of the allocation of village funds also needs to be carried out by the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, the Ministry of Home Affairs, and the Ministry of Finance. This can maximize the performance of the Government in checking the distribution of village funds whether it is right on target or not. Law enforcement officials are also involved in eradicating corruption cases at the village level. Moreover, those who are authorized to investigate cases of corruption in village funds are the Police and the Attorney General's Office.

So it is necessary to optimize the coordination between the Police and the Attorney General's Office. In addition, village heads and their apparatuses need to receive guidance in the form of education and training or other similar activities related to village fund management. In addition, there needs to be a sharing center for village heads as a simple solution. The quality of human resources for village heads and all their apparatus needs to be improved through technological guidance in order to carry out their duties properly.

Such activities will greatly improve the capabilities and skills of village heads and their apparatus in terms of budgeting, activity planning, infrastructure project planning, or administrative matters. The implementation of village governance which is based on insight and skill can certainly improve services and outputs from policy makers in the village. In a government there are all kinds of people with different educational backgrounds. Therefore, it is necessary to carry out upgrading for all Human Resources (HR) at the village level in order to unify views and select a work team that fits the area of ability they have.

3. CONCLUSION

Based on the discussion described above, it can be concluded that in order to avoid corruption, it is necessary to oversee the management of village funds by forming a special supervisory agency consisting of Ministry of Home Affairs, Ministry of Villages and Development of Disadvantaged Regions and Transmigration, Ministry of Finance, the Audit Board of the Republic of Indonesia, and Financial and Development Supervisory Agency. The special supervisory agency has the duty to independently oversee the management of village funds, make reports, and report the corruption crime to the Police or the Attorney General's Office. This is considered to be an effective effort in preventing fraudulent acts committed by village officials. The reforms in the special supervisory agency in this research are more focused on the implementation of a monitoring and evaluation system in terms of the absorption of village funds. Thus, the use of village funds is more targeted. Furthermore, in terms of distributing village funds, the Government should only distribute the funds through a 1 (one) door/ministry system: the Ministry of Villages, Development of Disadvantaged regions, and Transmigration. Although only through 1 (one) Ministry, it is possible to be assisted by the Ministry of Home Affairs and the Ministry of Finance. Evaluating the allocation of village funds also needs to be carried out by 3 (three) ministries: the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, the Ministry of Home Affairs and the Ministry of Finance. This can maximize the performance of the government in checking the distribution of village funds whether it is right on target or not. Law enforcers, such as Police and the Attorney General's Office, are also involved in combating corruption cases at the village level, so it is necessary to optimize coordination between the Police and the Attorney General's Office. Finally, the role of village communities should be

improved by providing education about fraud and the potential for corruption that can occur in village government. If the efforts described above are carried out well, it is hoped that they can reduce fraud that results in corruption in the village. The government is expected to always supervise the use of village funds. This supervision can be done through state institutions and agencies such as the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration, the Ministry of Home Affairs and the Ministry of Finance. Law enforcers, such as the Police, Attorney General's Office and the Corruption Eradication Commission (KPK), are expected to work together in eradicating corruption in village funds. In addition, there is a need for a special complaint post for corruption cases of village funds. The village community is expected to participate in the supervision of village funds and report to the Regional Consultative Body (BPD) or law enforcement officials if they find allegations of corruption in the Village Government. In addition, consistent cooperation and concern from the village community as direct supervisors are needed so that the absorption of village funds is right on target.

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