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Implementation of Good Governance Principles in Fund Management through the Supervision of the Regency Inspectorate

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Abstract
This study aims to analyze the application of good governance principles in the management of the Village Fund in Baros Village and to evaluate the supervisory role performed by the Lebak Regency Inspectorate. Transparent and accountable Village Fund management is crucial for preventing budget misappropriation and ensuring that village development initiatives are effectively targeted. A descriptive-qualitative research method employing a case study approach was used. Primary data were collected through in-depth interviews with Inspectorate auditors, village officials, and representatives of the Village Consultative Body (BPD), while secondary data were gathered through a review of village financial reports. Data analysis was conducted interactively involving data reduction, data presentation, and conclusion drawing with validity verified through triangulation techniques. The results indicate that the application of good governance principles specifically accountability and physical transparency—in Baros Village has generally proceeded well at the formal level. However, major obstacles include weak digital transparency and administrative input errors in the Siskeudes application caused by the village officials' low level of technological literacy, as well as passive citizen participation in the oversight process. On the other hand, the Inspectorate has effectively carried out its quality assurance and consulting functions, serving as an early warning system for violations. Nevertheless, the effectiveness of this macro-level oversight is constrained by institutional limitations—such as an unfavorable auditor-to-workload ratio, limited operational budgets, and the geographical challenges of the vast Lebak Regency resulting in field inspections being limited to annual spot-check methods.
Keywords: *Good Governance, Village Fund, Oversight, Inspectorate, Baros Village.*

Introduction

The disbursement of Village Funds by the central government represents a strategic move to foster equitable development and economic self-reliance at the grassroots level. This policy grants village governments significant authority to manage budgets independently, funding infrastructure development and community empowerment initiatives (Chasanah et al., 2017). However, the substantial annual budget allocations entail inherent risks—specifically the potential for abuse of power and corruption—unless accompanied by robust control mechanisms. Consequently, clean governance is an absolute necessity at every stage of the village budget cycle (Irmansyah et al., 2021).

The application of good governance principles serves as a fundamental instrument for ensuring that public financial management adheres to legal and ethical standards. Key components of this good governance framework include moral and legal accountability, transparency through publicly accessible information, and active citizen participation in program planning (Utomo & Suharto, 2018). When officials internalize these principles, public trust in the government grows, and the effective use of the budget to enhance social welfare can be optimally achieved (Safitri & Fathah, 2018).

Within the local government structure, the Regency Inspectorate plays a crucial role as an internal government oversight body reporting directly to the Regent. This agency is responsible for auditing, reviewing, evaluating, and monitoring financial management at the village level to prevent fraud or irregularities. Beyond acting merely as legal 'gatekeepers' (Syarifudin, 2014), modern inspectorates are also expected to fulfill an educational function—acting as internal consultants that assist village officials in understanding modern technical accounting regulations (Susanto, 2020).

Village Fund management must be conducted in a manner that is transparent, accountable, and participatory, while maintaining budgetary order and discipline. This aligns with Government Regulation Number 12 of 2019 concerning Regional Financial Management, which asserts that financial management encompasses all activities ranging from planning, implementation, and administration to reporting and accountability (Iswahyudi, 2022). Furthermore, Minister of Home Affairs Regulation Number 20 of 2018 concerning Village Financial Management stipulates that the supervision of village financial management is carried out by the regent or mayor, coordinated with the Government Internal Supervisory Apparatus (APIP) at the regency or city level (Ningsih et al., 2022).

Within the local government oversight system, the Inspectorate plays a strategic role as the APIP, tasked with supervising local government operations, including the management of Village Funds (Fajri, 2023). Based on the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 47 of 2011, the Inspectorate is responsible for preventing irregularities through activities such as auditing, supervision, guidance, and monitoring of government program implementation. Thus, the Inspectorate serves as a crucial instrument in achieving transparent, accountable, and effective village governance (Kurniasari, 2020).

This study specifically focuses on a case study in Baros Village, located within the administrative jurisdiction of Lebak Regency. The vast geographical expanse of Lebak Regency presents a unique challenge for the Inspectorate in ensuring the equitable execution of its oversight functions. Baros Village was selected as the unit of analysis due to the dynamic nature of its budget governance, making it a representative case for illustrating the dynamics, practical obstacles, and successes associated with implementing good governance principles at the rural level.

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Method

This study employs a qualitative descriptive approach with a case study design to examine the phenomenon of implementing good governance principles in a deep and contextual manner. A qualitative method was selected to enable the researcher to understand social realities, interaction patterns, and the dynamics of financial accountability oversight in their natural field setting. Primary data were gathered directly from first-hand sources through in-depth interviews with key informants, including auditors from the Lebak Regency Inspectorate, the Village Head and officials of Baros Village, and representatives of the Village Consultative Body (BPD). To ensure a comprehensive understanding, passive participatory observation was also conducted regarding public service delivery and information transparency at the village office (Sugiyono, 2013).

Secondary data were obtained through document analysis, encompassing the review of Village Fund Budget Realization Reports (LRA), the Village Medium-Term Development Plan (RPJMDes), and local regulations concerning internal oversight functions. The validity of the collected data was verified using source and method triangulation techniques to ensure the validity and objectivity of the findings. Subsequently, data analysis was conducted in an interactive and continuous manner, proceeding through stages of data reduction (summarizing and selecting key data) and data presentation (in the form of a logical narrative) to the drawing of final conclusions. Through this series of scientific procedures, the causal relationship between Inspectorate oversight and the quality of Village Fund governance could be accurately mapped.

Result and Discussion

Implementation of Good Governance Principles in Village Fund Management

The implementation of good governance principles in Village Fund management serves as a key indicator of the success of bureaucratic reform at the grassroots level of government. Good governance requires harmonious synergy among the village government, the community, and oversight bodies to ensure sound financial management. In this research setting, budget execution is oriented toward meeting normative standards that prioritize not merely fund absorption, but also the utility of the funds and compliance with applicable regulations.

Regarding transparency, the village government demonstrates a strong commitment to providing the public with access to information on budget management. This openness is tangibly demonstrated through the installation of information boards and large banners displaying infographics of the Village Budget (APBDes) outside the village office. These displays detail revenue sources, funding allocations by sector, and physical development targets scheduled for the current fiscal year.

Infographic banners are distributed not only at the village office but also at strategic locations within residential areas and community economic hubs. This measure ensures that all segments of society—including those who rarely visit the village office—can easily view and monitor budget utilization. Such physical transparency serves as vital social capital in fostering mutual trust between village government officials and local residents.

While physical transparency measures have been highly successful, information openness via digital platforms faces significant challenges. The official village website and social media accounts—intended to serve as channels for real-time information—are not yet managed optimally or consistently. Consequently, important documents, such as the year-end accountability report (LPJ), remain inaccessible to residents living outside the area or those accustomed to using information technology.

This lack of optimal digital transparency stems from two primary factors: limited internet network infrastructure in certain areas and a lack of technical skills among village officials. Most village officials lack the specialized skills required to manage bureaucratic website content and present financial data in interactive digital formats. This sectoral constraint means that the dissemination of financial governance information remains conventional, confined largely to physical spaces within the village.

Regarding accountability, village governments have generally met the formal and procedural standards mandated by law. The process of compiling the Village Fund Budget Realization Report (LRA) involves periodic reporting—conducted semiannually and at the end of the fiscal year—to the Regent via the Sub-district Head. Document reviews indicate that budget utilization aligns with agreed-upon development priorities, thereby administratively minimizing budgetary overlap.

This commitment to accountability is further evidenced by the consistent synchronization among the Village Medium-Term Development Plan (RPJMDes), the Village Government Work Plan (RKPD), and actual financial realization in the field. The allocation of every rupiah from the Village Fund can be traced through valid transaction records, such as purchase memos, receipts, and work handover certificates. This demonstrates that bookkeeping practices operate within the legal framework of public financial governance.

Nevertheless, an evaluative note regarding accountability concerns technical errors in data entry within the Village Financial System (Siskeudes) application. These administrative hurdles frequently cause delays in synchronizing data between village servers and local government servers. Clerical input errors—such as incorrect expenditure account codes or delayed uploading of supporting documents—are often the primary causes of bottlenecks in the bureaucratic reporting process.

The issues encountered with the Siskeudes system stem largely from the low level of information technology literacy among some village officials. The majority of village-level staff require a significant adjustment period whenever the operational application undergoes system updates or introduces new features. Limited human resource capacity in operating this digital financial monitoring tool has led to a heavy reliance on direct assistance from sub-district and district facilitation teams.

Regarding community participation, formal avenues for citizen engagement have been established through the Village Development Planning Deliberation (Musrenbangdes) mechanism. This annual forum serves as a platform for neighborhood association (RT) and community association (RW) heads, community and religious leaders, and women's groups to voice their aspirations. Through this open dialogue, the community can collaboratively determine priorities for physical projects—such as paving local roads, constructing soil-retaining walls, or implementing economic empowerment programs.

Although the communication environment within the Musrenbangdes is considered democratic, the intensity of community participation remains uneven across the various stages of the budget cycle. Community involvement peaks only during the planning and work program proposal stages. Once proposals are approved and funds disbursed, public interest tends to drop sharply, resulting in lax independent oversight during the actual physical construction phase.

This passive attitude toward monitoring and evaluation stems from the perception that technical execution and accountability are the sole responsibility of village officials and the Village Consultative Body (BPD). A lack of citizen initiative in monitoring construction material quality or project timelines creates opportunities for budgetary inefficiencies. Consequently, strengthening participatory oversight by the broader community remains a significant challenge in fully upholding the pillars of good governance.

Effectiveness and Challenges of Oversight by the Lebak Regency Inspectorate

The Lebak Regency Inspectorate plays a pivotal role as the Government Internal Supervisory Apparatus (APIP), reporting directly to the Regent and overseeing regional financial accountability. The institution has evolved beyond a mere auditing unit that seeks out faults; it now serves as a strategic partner to the government bodies under its purview, including village administrations. Regarding the governance of the Village Fund, the oversight function ensures that the utilization of remaining budget funds stays within legal boundaries and aligns with regional development macro-targets.

In practice, the Inspectorate rigorously performs a quality assurance function through compliance audit mechanisms. Audit teams conduct in-depth verification to ensure consistency between actual field expenditure evidence and the records contained in village financial reports. Through this function, any non-compliance with goods and services procurement procedures or government accounting standards can be identified immediately before the reports are finalized and ratified.

This periodic quality assurance function has proven effective as an early warning system. Field findings indicate that the Inspectorate's audit interventions successfully uncovered various clerical and administrative errors such as delayed tax remittances to the state treasury and missing supporting documentation for material purchase receipts. Corrective actions recommended by the audit team compelled village officials to make immediate improvements to avoid the consequences of more severe legal sanctions.

Beyond its auditing role, the Lebak Regency Inspectorate also optimizes its function as an internal consultant. This educational role is realized by providing avenues for dialogue and technical assistance to village officials who struggle to interpret frequently changing financial regulations. These consultation channels serve as a crucial communication bridge, given that the dynamic nature of regulations from relevant ministries often confuses village officials who may have limited formal educational backgrounds. Consistent guidance from the Inspectorate has had a positive psychological impact on village government officials, fostering greater work discipline. Sustained communication has boosted the officials' confidence, shifting their perception of the audit process from a dreaded ordeal to be avoided to a manageable routine. The long-term benefit of this preventive approach is enhanced formal legal compliance and a reduction in potential state financial losses resulting from administrative mismanagement.

Although the oversight function has been comprehensively designed, its practical implementation faces significant hurdles due to institutional capacity constraints. A primary challenge for the Lebak Regency Inspectorate is the extreme imbalance between the number of certified auditors and the total number of entities subject to audit. With hundreds of villages spread across the regency, the Inspectorate lacks the human resources required to conduct intensive oversight of every village throughout the year.

This shortage of auditors compels the Inspectorate to prioritize its efforts by using an annual sampling method to select villages for direct audits. Consequently, in-depth monitoring cannot be applied uniformly across all villages during each budget disbursement cycle. Oversight methods relying on document reviews (desk audits) at the regency office often fail to detect actual instances of manipulation or substandard physical work occurring in remote areas.

These institutional constraints are compounded by the vast geographical expanse of Lebak Regency, characterized by hilly terrain and challenging road access. The long distances between the regency capital and the village sites entail significant travel time and operational costs for the inspection teams. Such physical challenges often hinder the auditors' response speed when addressing public complaints regarding suspected irregularities at the local level.

Beyond personnel and geographical issues, the operational budget allocated for internal oversight is considered suboptimal relative to the workload involved. This funding limitation restricts the procurement of modern support facilities—such as big-data-based audit software—and limits specialized certification training for auditors. Consequently, inspection methods remain largely conventional, and the preparation of audit reports is relatively time-consuming.

Overall, the oversight role of the Lebak Regency Inspectorate has tangibly contributed to safeguarding the integrity of Village Fund management regarding bureaucratic formalities. However, to achieve a more progressive and substantive impact, internal reforms are required, focusing on increasing the number of auditors and leveraging integrated digital technologies. Without improvements to organizational capacity, the APIP oversight function will continue to operate under the shadow of operational constraints amidst the massive flow of village budget disbursements.

Conclusion

The application of good governance principles in the management of the Village Fund in Baros Village, Lebak Regency, has generally proceeded well in formal and procedural terms. The aspect of physical transparency has been optimally addressed through the public display of Village Budget (APBDes) infographics, while accountability is evidenced by the alignment between budget planning documents and actual transaction records in the field. Nevertheless, the implementation reveals critical areas for improvement, particularly regarding limited digital information disclosure and clerical errors within the Siskeudes application. These obstacles stem from low information technology literacy among village officials, compounded by generally passive community participation—which tends to be concentrated in the planning stage and wanes during the oversight phase.

On the other hand, the Lebak Regency Inspectorate has effectively fulfilled its strategic role as the Government Internal Supervisory Apparatus (APIP) through quality assurance and consulting functions. These functions have proven effective as an early warning system, capable of identifying and rectifying administrative errors made by village officials before they escalate into serious legal violations. However, the overall effectiveness of this oversight system faces acute institutional constraints due to a disproportionate ratio of auditors relative to the vast territory and the large number of villages requiring inspection. Limited personnel and operational budgets, combined with Lebak Regency's challenging geography, have forced the Inspectorate to rely on annual sampling methods; consequently, direct field oversight has yet to comprehensively and consistently cover all aspects of village development.

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