



THE AUDIT AUTHORITY THE STATE AUDIT BOARD OF THE VILLAGE FINANCIAL MANAGEMENT IN SOLOK REGENCY

Budiyono¹, Yusdiyanto², Irdham Riyanda³

¹Universitas Lampung, Indonesia, E-mail: budiyono192910@gmail.com

²Universitas Lampung, Indonesia, E-mail: yusdiyanto@gmail.com

³Universitas Lampung, Indonesia, E-mail: irdhamriyanda@yahoo.com

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Abstract

Village development is one of the government's agendas in the third *nawacita* listed in the 2020-2014 RPJMN. Nonetheless, the uncertainty of administrative law related to institutional authority and the mechanism for examining village financial management is still a problem. BPK-RI, as the state financial examiner, has not been explicitly mandated in the package of the State Finance Law to conduct audits of the village government and village finances. This research method was carried out through normative juridical and empirical juridical analysis methods to map the inspection model needed by the village government. The analysis was carried out using the theory of state finances and the theory of state financial audits, and the theory of authority. Research suggests that in the future, an adjustment is needed between the package of Laws on State Finance to align with the package of Laws related to Villages. The results of the study concluded that the authority currently owned by BPK-RI in managing village finances has the potential for arbitrary action (*willekeur*) by BPK-RI and the potential to submit a lawsuit for authority against BPK-RI in the future. Meanwhile, the village government, represented by the Nagari government in Solok Regency, revealed that the audit carried out by the BPK-RI had been beneficial in encouraging improvements in the performance of the Naga government, nonrequired that the BPK-RI could focus on the SPI audit model and the performance of the Nagari government. Therefore, the ideal inspection model can be carried out through integrated auditing.

Keywords: Audit Board, Villages, West Sumatra

A. Introduction

Village development is one of the government's agendas in the third *Nawacita*, to build Indonesia from the suburbs by strengthening the villages. Therefore, the *Rencana Pembangunan Jangka Menengah Nasional* (RPJMN) 2020-2024 targeted increasing the number of independent villages by at least 10.000 villages by the end of 2024¹. However, achieving those targets is burdened by the limited financial resources of the village. So, based on Law Number 6/2014 concerning Villages (UU Desa) and Government Regulations concerning Technical Regulations of Law Number 6/2014 concerning Villages (PP Desa), it is regulated that financial sources of the villages include the allocation from the *Anggaran Pendapatan dan Belanja Negara* (APBN), of *Dana Desa/DD* (Village Fund/VF), and also from

¹ Attachment of RPJMN, Presidential Decree No. 18/2020 concerning RPJMN 2020-2024, Pg. III.11

the *Anggaran Pendapatan dan Belanja Daerah* (APBD), of *Alokasi Dana Desa/ADD* (Village Fund Allocations/VFA)².

Those funds would be treated as the capital for the villages to execute the village development programs, including achieving the higher status of village development to reach the independent village status. Those statuses are divided into 3 (three) categories; independent villages, developing villages, and underdeveloped villages. That status is measured through the *Indeks Pembangunan Desa* (Village Development Index/VDI), compiled by the Badan Pusat Statistik (BPS). Meanwhile, VDI regulates one of the indicators of an independent village is village wealth³. Here it means that the village with a higher ratio of Village Generated Revenue (*Pendapatan Asli Desa/PADes*) than the transfer funds reflects a higher level of independence-*vice versa*⁴. Therefore, one of the ideal conditions for a village with financial independence is a condition of lower transfer funds than the PADes⁵.

Based on those ratio indicators above, based on the data for the national level, some villages in 2019 had already shown the direction to reach financial independencies. Analysis of data aggregation per district, there were at least ten districts with the average ratio exceeding the provincial level. This could be seen from the villages in Central Java Province, such as villages in Grobogan District (23.56%), Banyumas District (14.88%), Kudus District (23.83%), and Demak District (16.77%), which exceeds the provincial ratio of 7.82%. In addition, villages in East Java Province, such as villages in Tulungagung District (15.79%), Kediri District (26.95%), Ngajuk District (16.48%), Madiun District (14.03%), Magetan District (14.43%) and Ngawi District (24.25%), also exceed the provincial ratio of 8.18%⁶.

Meanwhile, in the West Sumatra Province, from 2014 to 2020, the village's average level of financial independence is relatively low. It means the villages are attached to government transfer funds from DD or ads. Data shows that the province's financial independence ratio was 1.37%. Meanwhile, for the district level, only 4 (four) districts already achieved a ratio exceeding the provincial level, which are; Dharmasraya District (2.11%), West Pasaman District (2.14%), Solok District (2.77%) and South Solok District (7.77%) (detailed in **Appendix 1**).

However, although the villages have already achieved a higher financial independence ratio, there are still irregularities in financial management, such as corruption. For example, the corruption case of DD by the Village Head in Lau Village in Kudus Regency⁷, the DD corruption case of DD by the Ngrambe Village Head, Ngawi Regency⁸, and in Wanengpaten Village, Kediri Regency⁹ and *Nagari* Talang Babungo, Solok Regency¹⁰. On the other hand, ideally, village independence achievement should positively affect the level of transparency village financial management and ability to prevent corruption cases¹¹. Furthermore, some

² Nyimas Latifah Letty Aziz, *Otonomi Desa dan Efektivitas Dana Desa*, Jurnal Penelitian Politik, Volume 13 No.2, 2016, Pg. 194

³ BPS, 2018, *Indeks Pembangunan Desa 2018*, (Jakarta: Catalogue BPS Nomor 1105023), Pg. 125

⁴ Muhammad Zainul Abidin, *Tinjauan atas Pelaksanaan Keuangan Desa dalam Mendukung Kebijakan Dana Desa*, Jurnal Ekonomi & Kebijakan Publik, Vol. 6 No. 1, 2015, Pg. 62

⁵ Rusmianto & Maryani, *Kinerja Keuangan Pemerintah Desa di Kecamatan Waysulan Kabupaten Lampung Selatan*, Prosiding Seminar Nasional Pengembangan Teknologi Pertanian, 2018, Pg. 92

⁶ Badan Pusat Statistik, 2020, *Statistik Keuangan Pemerintah Desa Tahun 2014-2020*, (Jakarta : BPS), processed.

⁷ Suarajawatengah.id, 12 July 2021, <https://jateng.voice.com/read/2021/07/12/192746/mantan-kades-lau-kudus-resmi-terbilang-korupsi-dana-desa-ini-total-the-downside?page=all>, accessed Nov 4, 2021

⁸ <https://kejari-ngawi.go.id>, March 23, 2020, <https://kejari-ngawi.go.id/kejaksaan-negeri-ngawi-telah-melaksana-penahanan-terhadap-mantan-head-desa-kecamatan-ngrambe-kabupaten-ngawi-because-alleged-commit-corruption-crime/>, accessed Nov 4, 2021

⁹ Madu TV, April 16 2020, <https://madu.tv/dua-desa-di-kabupaten-kediri-dijerat-case-dana-desa-satu-status-naik-kepenyidikan/>, accessed Nov 4, 2021

¹⁰ www.kumparan.com, July 25 2019, <https://kumparan.com/langkanid/wali-nagari-di-solok-korupsi-dana-desa-rugikan-negara-rp-800-juta-1rX6LIrmC6l>. Accessed Nov 4, 2021

¹¹ Tiara Ayu Wulandari, *The Effect of Transparency and Financial Accountability of Village Funds to Encourage Rural Community Independence*, Journal of Accounting Science and Research Volume 8 Number 11, 2019, Pg 17

weakness of village financial management commonly appears, such as the lack of understanding of financial management, the overlapping function of village officials, standard operational procedures that are not yet fully understood, and low-intensity monitoring and evaluation from the higher government¹².

Therefore, as mentioned above, the irregularities and weaknesses make the audit process worth considering to establish good governance of village financial management. This is also because, based on the ideal public financial management cycle¹³, The audit includes the financial statements audit, which is conducted at the end of the fiscal year (post-audit) and should be distinguished from the supervision and mentoring process¹⁴.

Based on the constitution, the only institution with authority to conduct regional/state government audits is the State Audit Board (*Badan Pemeriksa Keuangan/BPK*)¹⁵. Furthermore, the duties and functions of BPK are guided by Law Number 17/2003 concerning State Finances (UU *Keuangan Negara/KN*) and Law Number 15/2004 concerning the Audit and Management of State Financial Responsibilities (UU *Pemeriksaan atas Pengelolaan Tanggung Jawab Keuangan Negara/PPTKN*), which regulates BPK to conduct audits of state finances, including APBN/D. However, related to the village finances, noticeably there are some problems due to the authority of BPK-RI conducting audits, as described below:

1. The existence of the village government is not mentioned in the package of State Finance Laws, such as the UU KN, UU PPTKN, or Law Number 15/2006 concerning BPK (UU BPK), nor Law Number 1/2004 concerning State Treasury (UU *Perbendaharaan Negara/PN*);
2. Village financial accountability of *Anggaran Pendapatan dan Belanja Desa* (APBDes) is also not explicitly mentioned in the regulations above, as the audit object of BPK, but they only mentioned APBN/D;
3. The regulation package for the village was enacted in 2014 through the UU Desa and its technical regulations. So, the village government (also the village financial management aspect) existed for more than ten years after the package of the State Finance Law was enacted in 2003-2004. Meanwhile, the financial management cycle on the Village Law package also does not mention the urgency of the audit process of BPK.

There is a research gap in the academic realm due to the authority of BPK conducting village financial audits. Several prior studies confirmed that BPK authority limited to audit as long as there was any transfer funds from higher government, such as DD and ADD. Consequently, it does not have authority to conduct the audit in case there are another financial sources in the village, such as *Pendapatan Asli Desa* (Pades), so that village financial management generally un-auditable, but should only be monitored and supervised by the local government (cq. Inspectorate) or *Badan Pengawas Keuangan dan Pembangunan* (BPKP). On the other hand, other studies formulate that BPK fully authorized to conduct audits of village financial aspects, based on the perception that village finances are part of state finance. Therefore, the legal basis of BPK conducting its audits of village finances is still debatable.¹⁶

Despite that, practically, BPK had already conducted several village financial audits on the whole aspect (which means not limited to audits of DD and ADD). For example, 1) the Audit of Village Financial Management of 2018-2019 (Quarter III) at the Wajo District, Sengkang-South Sulawesi, 2) the Audit of Village Financial Management of 2017-2018 (up to Semester

¹² www.pendampingdesa.com, 21 October 2021, <https://pendampingdesa.com/tantangan-dan-problems-implementation-pengelolaan-keuangan-desa-2/>, accessed on 13 January 2022

¹³ Arie Pratama, *The Effect of Human Resource Competency on Financial Reporting*, *Jafta* Vol. 2 Number 2, 2021, Pg. 136

¹⁴ *Ibid.*

¹⁵ Nawang Xalma Kaldera, Muthi Aulia & Hani Adila Faza, *The Role of BPK as an External Supervisory Agency for State Financial Management*, *Journal of Fundamental Justice* Vol. 1 No. 2, 2020, Pg. 15

¹⁶ As research by Dewi Kania Sugiharti & Ajie Ramdan, *Realizing a Corruption-Free Village Through Integrated Village Financial Management*, *Pandecta* Volume 14. Number 1, 2019, Pg. 57-72

D) in Sumbawa District and Central Lombok District. The findings presented in those reports are also not limited to central and local transfer funds. Still, managing village finances, such as delays in tax payments, village financial management compliances, and administration of village assets.

The conditions above could encourage potential lawsuits against the authority of BPK. For example, the lawsuit over the authority of the BPK to conduct the Investigative Audit and Audit for Specific Purposes (Pemeriksaan dengan Tujuan Tertentu/PDPT). The lawsuit was already filed several times against BPK on prior times to the Constitutional Court (Mahkamah Konstitusi/MK). Therefore, to prevent such matters, it is necessary to thoroughly identify the authority of BPK, which is mandated by law. In addition, a series of analyses are required to identify which BPK audit model which ideal and needed for the financial management of the village government.

One of the relevant theories to discuss the issues above is the theory of authority. The authority, according to FAM Stroik and JG Steenbeek is "*Het begrip bevoegdheid is and ook een kembergrip in het staats en administratief recht*" or "the core concept of constitutional law and administrative law"¹⁷. So, it is necessary to identify clearly the scope of authority possessed by the BPK conducting village financial audits and use the theory of state finance approach also relevant.

Then, *the status quo* of the authority to audit village finances is well-deserved to analyze the needs of the BPK audit model, which the village government requires to identify the ideal audit model. So, one of the relevant approaches is also the expediency approach, as explained in progressive law studies (generally promoted by Satjipto Rahardjo). As progressive law is expected to fill *the status quo* of law, which will never be ideal, it requires 'law that matures'.¹⁸ This approach also assumes that textual and rigid laws must be interpreted solely for the benefit of humans and can answer human emotional problems through a static legal platform.¹⁹

Therefore, through the approach of authority theory, state finance law theory, and advanced legal studies, it is hoped that this article will be able to identify the scope authority of BPK conducting the audit for the financial management of villages. Then it is expected to identify the benefits and needs of the BPK audit to formulate such an audit model for villages in the future. Furthermore, the lack of similar research that discusses the authority of BPK on village financial management, as well as formulating one ideal-audit model, makes this a novelty research. So the following research questions are formulated, what is the authority of BPK to audit the management of village finance, and what is the BPK ideal audit model needed by the village government?

Novelty research suggests that in the future, an adjustment is needed between the package of Laws on State Finance to align with those related to Villages. The approach used to answer the problems above is through the normative juridical approach and empirical juridical approach. The normative juridical approach would be executed more by the series of literature reviews and desk studies than field studies, using legal materials, then collecting and analyzing into research findings²⁰. This approach will be used to answer the first objective. The legal materials used are primary and secondary legal materials. The BPK uses primary legal materials such as a package of regulations according to the village financial management. At the same time, secondary legal materials are obtained through literature studies from books, journals, proceedings, official reports, and other related literature sources.

¹⁷ Sri Nur Hari Susanto, *Methods of Acquisition and Limits of Government Authority, Administrative Law & Governance Journal*, Volume 3 Issue 3, 2020, Pg. 1

¹⁸ Satjipto Rahardjo, 2000, *Progressive Law: A Synthesis of Indonesian Law*, (East Java: Junrejo).

¹⁹ M. Zulfa Aulia, *Progressive Law from Satjipto Rahardjo: History, Urgency, and Relevance*, Law: Journal of Law Vol. 1 No.1, 2018, Pg. 177

²⁰ Jonaedi Efendi & Johnny Ibrahim, 2016, *Normative and Empirical Legal Research Methods*, (Depok: Prenadamedia Group).

Meanwhile, the empirical juridical approach emphasizes more field research to describe the law as the actual state of social reality²¹. This method would be used to answer the second objective. Therefore, the data are using the primary data, which is obtained directly from the field research and gathered from questionnaires to the stakeholders. Those stakeholders are the sample of the Nagari government elements relevant to explain the benefits and needs of BPK's audit of *Nagari*. Moreover, a series of statements to the respondents would be measured using the Likert Scale developed from previous studies and formulated into knowledge, benefits²², and expectations²³ (details in Appendix 2).

The *locus* as the sample of this research is the villages around the Solok District, based on the consideration: 1) The aggregate ratio of financial independence for the 2015-2020 period, above the provincial ratio (each of 2.77% and 1.37%); 2) In 2018, BPK had conducted audit related to Performance Management of DD and ADD; 3) There are still corruption cases in the management of DD in Solok District, by the *Nagari* apparatus, and 4) location accessibility. In addition to distributing questionnaires, primary data would also be obtained through interviews with the interviewer, who is competent and authorized to elaborate further on the results of the questionnaires. Thus, the unit means the Community and *Nagari* Empowerment Service (*Dinas Pemberdayaan Masyarakat Nagari/DPMN*) of the Solok District Government, through the Head of the Financial Accountability Section and the *Nagari* Information System, with the interview location at the Office of DPMN.

The unit of analysis in the study's second objective is the stakeholder of the BPK Audit Report (Laporan Hasil Pemeriksaan/LHP), the Wali *Nagari*/Secretary of *Nagari* as the head administration of the government of *Nagari*. The total population is the number of *Nagari* in Solok District of 74 *Nagari* (details in appendix 3). Then, using the Slovin method for error rate of 10%, the sample of respondents is described below.

$$n = \frac{N}{1 + Ne^2}$$

Then obtained:

$$n = \frac{74}{1 + 74(0,10)^2}$$

$$n = 42,52 \text{ rounded up to } 43 \text{ respondents}$$

The selected *Nagari* will be determined using a simple random sampling method using a table of random numbers described in appendixes 4 and 5.

B. Discussion

1. Legal Basis of Authority of BPK

a. Basis of Authority of BPK in conducting audits

Article 23E of the Constitution of 1945 states that to examine the management and responsibilities of state finances, an independent BPK is established. Furthermore, Article 23G mentioned the existence and authority of the BPK mandate by law. So, the regulation package of the state finance laws was enacted during 2003-2004 through the UU KN, UU PPTKN, UU BPK and UU PN. Based on the description above, it is known that the authority attached to

²¹ Yati Nurhayati, Irfani & M. Yasir Said, *Normative and Empirical Methodology in the Perspective of Legal Studies*, Indonesian Law Enforcement Journal (JPHI) Volume 2, No.1, 2021, Pg. 13

²² Benefit variables were formulated from the research: 1) Nandhya Marfiana & Lulus Kurniasih, *Influence of Local Government Characteristics and BPK Audit Results on Financial Performance of District/City Governments*, Journal of Economics and Business Unsoed Vol. 3 No. 1, 2013, pp.1-16; 2) Nico Andrianto, Andi Wibowo, Budiman Sihaloho, *Benefits of Performance Audit on Auditees of the Supreme Audit Agency of the Republic of Indonesia*, Matra Reform Vol. 1 No. 2, 2017, Pg. 85-98; 3) Verawaty, Intan Puspanita & Endah Sularti, *Effect of BPK, Government Characteristics and Human Development Index on the Corruption Level of Local Government in Indonesia*, MBIA Vol. 18 No. 2, 2019, Pg. 79-99; 4) Mahdalena Deisi Rampengan, *Functions of the Supreme Audit Agency in the Eradication of Corruption Crimes*, Lex et Societatis, Vol. II No. 3, 2014, Pg. 44-51.

²³ The expectation variable was formulated from research by Joko Susilo, *Exploration of Stakeholder Needs for Information in Local Government Audit Reports*, Jaai Volume 10 No. 1, 2006, p. 70

BPK, as a state institution conducting audits mandated through formal regulation which are Constitution and Laws. It also means classified as attributive powers, according to theory of authority by JG Brouwer & AE Schilder²⁴. It also means that the authority of the BPK does not originated from the delegation or mandate from other government organs, but directly from constitution and laws.

b. The nature of the authority of BPK

The scope authority of BPK based on the article 6 paragraph (1) of the UU BPK, to conducts audit of the management and responsibility of state finances which carried by the Central Government, Regional Governments, State Institutions, Bank of Indonesia (BI), State-Owned Enterprises (*Badan Usaha Milik Negara/BUMN*), Public Service Agencies (*Badan Layanan Umum/BLU*), Regional Owned Enterprises (*Badan Usaha Milik Daerah/BUMD*), and other institutions or bodies that manage state finances. Therefore, the nature of the authority which carried by the BPK limited to the government organs mentioned above, so that it is bound (*gebonden*). This means that the executor of the authority cannot determine other conditions, how the authority can be used²⁵. Based on those formulation, there is no village government as institutional organ mentioned as the auditee of BPK. However, there is a further formulation of "...and other institutions or agencies that manage state finances", which would be described in the next discussion below.

2. State finances

Based on the theory of state finances which formulated by WR Tjandra, in order to determine whether the village finance could be classified as state finance, 4 (four) approaches can be used, which are subject approach, object approach, process approach and objective approach²⁶. Those formulation describes as follows:

a. Subject Approach

Subjects of state finance are those who are involved in managing state finances, in this case the government. Based on article 6 paragraph (1) of the UU KN, it is mentioned that the highest authority to manage state finances is the president as the head of government. Furthermore, paragraph (2) explains that those authority could delivered to the governor/regent/mayor as the head of local government. Apart from the executive, Bagir Manan and Kuntara Magnar in Axis, define the government in a broader view, which includes state apparatuses, of executive, legislative and judicative²⁷.

Therefore, based on the formulation above, the village/*nagari* government is not mentioned as the subject of state financial management, because it does not receive the transfer of authority from the central government. In spite of that, based on article 6 paragraph (1) of the UU BPK, mentioned that BPK also authorized to conduct audits to the other agencies that manage state finances. This formulation also in line with Article 2 letter g of the UU KN which defines state finances as state/regional finance managed by themselves or by "**other parties**" for the management of money, securities, receivables, goods, and other rights that can be valued in money, also assets separated to the state/regional companies. Thus, the word of "**other party**" above basically legitimizes the existence of parties other besides the central/local government as subjects to manage state finances, in this case-the village government.

However, the inclusion of the word 'state/regional finance' above limits the existence of village government as a subject of state finances, as long as they manage the transfer funds delivered from the center/local, as DD/ADD. Meanwhile, the existence of village finances

²⁴ JG Brouwer & Schilder, 1998, *A Survey of Dutch Administrative Law*, (Nijmegen : Ars Aequilibrum), Pg. 16-17

²⁵ Agus Budi Susilo, *Meaning and Discretionary Criteria for Decisions and/or Actions of Public Officials in Realizing Good Governance*, Journal of Law and Justice, Volume 4, Number 1, 2015, Pg. 139

²⁶ WR. Tjandra, 2008, *State Administrative Law*, (Yogyakarta: Atma Jaya University), Pg. 44

²⁷ Telly Axis, *Relations between the Central Government and Regional Governments in the Framework of State and Regional Financial Management*, Journal of Law No. 4 Vols. 17, 2010, Pg. 579-590

which originate from other funding sources, such PADes, cannot be categorized as the subject of state financial management, consequently it illegally audited by the BPK.

b. Object Approach

Based on this approach, state finances are interpreted as every rights and obligations of the state which can be valued as money, includes state rights and obligations, within the context of the state budget²⁸. This definition is also mentioned in article 1 number 1 of the UU KN mention state finance as every rights and obligations that can be quantified as money, goods whose ownership by the state, linier to its function.

Article 2 of the UU KN elaborates various forms of state finances, including on letter g describes state finances as state/regional finance managed by themselves, or by other parties, including finances separated on BUMN/D. Therefore, if using an object approach that emphasizes the aspect of funding sources for the implementation of government activities by various parties, the village government could be interpreted as the other party above. However, because it uses funding source approaches, so the type of funding limited transfer funds of DD/ADD.

The problem is, actually there are another funding sources of the *nagari* government, as mentioned on Article 72 paragraph (1) of UU Desa, includes:

1. PADes;
2. Third party grants;
3. Third party donations; and
4. Other legitimate village incomes, such as revenue sharing (dividends) from Village-Owned-Enterprises (*Badan Usaha Milik Desa*/BUMDes).

Thus, by using the object of state finance approach, the 4 (four) types of revenues above cannot be classified as state finances, and certainly are not objects of audit by the BPK.

However, the researcher identified that there is a 'biased article' related to this. Whereas based on article 2 letter i of the UU KN, the scope of state finances includes all the assets of other parties obtained by using the facilities provided by the state. This could encourage multiple interpretations definition of state finances, which also includes finances obtained by other parties from any facilities provided by the state. The biased article above makes the confusion in the application of audit by the BPK. The in-depth interview with one of BPK Team which assigned as auditor for Ministry of Villages, Development of Disadvantaged Regions and Transmigration (*Kementerian Desa, Pembangunan Daerah Tertinggal dan Transmigrasi*/KemenDesPDTT) stated that: "...the interpretation of the leaders, including the review team for the Article 2 letter i of the UU KN is sometimes interpreted broadly, we interpret the village finance as finance obtained by using state facilities, including assets/finance obtained from the use of state/regional assets/goods, income from the state such as DD and ADD as well as grants and revenues obtained by the village-government cooperation...".

Therefore, it can be concluded that *nagari* revenues sourced from APBN/D can be categorized as state financial objects, such as DD and ADD, as well as there was any grants originated from the higher government. However, in case there are other sources of revenue outside the APBN/D, the BPK basically still has the authority, based on article 2 letter i UU KN. However, clearer regulation still needed to define the definition of state finances, other than those biased article.

c. Process Approach

The next approach is from the process approach, that explained state finances as whole series of activities of financial management, from planning to reporting phase²⁹. Therefore, based on the process approach, it is necessary to see whether village financial management

²⁸ *Ibid*, Pg. 587

²⁹ *Ibid*, Pg.577

phase intersects with the state financial management phase. So, it can be elaborate from each stage of the management flow, as below:

1. Planning phase

The preparation of village-level planning documents must be linier with the regional-level planning documents, which means the Village Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Desa/RPJMDes*) must be in line with the Regional Medium-Term Development Plan (*Rencana Pembangunan Jangka Mengengah Daerah/RPJMD*)³⁰. Furthermore, in this planning phase, the village government given the authority to enact regulations which aware of the socio-cultural conditions, so village regulations should be consider as further elaboration of regional plans, as well as central³¹.

2. Implementation phase

The phase of implementing village financial management also cannot be separated from the role of the local government, such as 1) changes to the APBDes had to approved and evaluated by the local government, 2) procurement in *nagari* also regulated through the local regulation. The things above show that although basically the spirit of village is independency, but actually it is still requires guidance from the supra-government. So that, the village development programs is linear with local and national development programs³². Based on the theory of authority, those monitoring above is a manifestation of the delegation from the central government to government of villages. Due to the granting of such authority, the central, local and village governments needs to coordinate one to another, to achieve the mutual-objectives³³.

3. Reporting and monitoring phase

In this phase, *Permendagri* No. 113/2014 mentioned various monitoring roles from the central and local governments in village financial management. Such as the obligation to submit annual report of APBDes, to be submitted to the regent/mayor. Furthermore, the urgency of village financial supervision is also a concern of the government, by enacting several regulations such as: 1) *Permendagri* Number 7 of 2008 concerning Guidelines and Procedures for Supervision of Villages Government, and 2) *Permendagri* Number 113 of 2014 concerning Village Financial Management which focuses on monitoring of DD by the *Badan Permusyawaratan Desa/BPD*. Therefore, the reporting and monitoring mechanism above also shows that village financial management cannot be separated from the supra-government control mechanism to the village. Therefore, it can be concluded, with a process approach, village financial management is a part that intersects with state/regional financial management and cannot separated one to another.

d. Goal Approach

Tjandra revealed that the goal approach is all policies, activities related to object control in governance activities³⁴. Related to this, it is closely related to the aspect of effectiveness to achieve the objectives of village government. Meanwhile, one of the linearity between central, local and village government programs is 'rural development programs'. The common goal of these programs is to reduce the unemployment, poverty and gaps³⁵. Therefore, it can be

³⁰ Yanhar Jamaluddin, Asep Sumaryana, Budiman Rusli & Rd. Ahmad Buchari, *Analysis of the Impact of Management and Use of Village Funds on Regional Development*, JPPUMA: Journal of Governance and Socio-Political Sciences UMA Vol. 6 No. 1, 2018, Pg. 21

³¹ Indah Maulidiyah Vocational School, Yusdiyanto & Ahmad Saleh, *Position and Participation of Traditional Institutions in Assisting Village Regulations in Way Emisland Ulu Village, Kec. Behind the Hill, Kab. West Lampung*, Fiat Justisia Journal of Legal Studies Vol. 8 No. 3, 2014, Pg. 509

³² Suharyanto & Arif Sofianto, *Innovative Integrated Village Development Model in Central Java*, Bina Praja Journal | Volume 4 No. 4, 2012, Pg. 259

³³ Lusiana Priany Aliman & Yohana Febiani Angi, *Accountability of Village Fund Management in Bentengriwu Village, Borong District, East Manggarai Regency*, Journal of Accounting: Transparency and Accountability, Vol.8, No.1, 2020, Pg. 31

³⁴ WR Tjandra, *Loc. cit.*

³⁵ Aziz, *Op.cit*, hlm. 194

formulated that there is one common goal related to village development, such as through the harmonization of the RPJMN-RPJMD-RPJMDes. Therefore, village goal programs ideally should be linear with the goal of higher government.

To sum up, those results above shows that generally the researchers shows similar results as the prior studies, such as those by Prasetyo & Muis³⁶ and Gunawan³⁷. Those articles mentioned that, based on positive law, the authority of BPK conducting audit of village financial is limited to sources of funds allocated from APBN/D. However, based on the Article 2 letter i of the UU KN as an object approach, process approach and objective approach is still provide legitimacy to BPK to conduct audit for village financial management. Nevertheless, basically those article is still bias though, and had a risk of a lawsuit against BPK. This is because the authority possessed by BPK categorized as attributional authority which grants directly from constitution and law, and also creates inherent authority.

In other words, BPK-RI still does not have strong *legal standing* conducting audits of village financial management, so that there is tendency for arbitrary actions (*willekeur*) from BPK, as also mentioned in Article 18 paragraph (3) of Law Number 30/2014 concerning Government Administration. Consequently, it becomes urgency to studied further the mechanism of amandement the law, since Indonesia is a state of law which guarantees justice for everyone, against abuse from the authorities³⁸.

Further discussion in this study is to analyze the perception of stakeholders from the *nagari* government towards the BPK audit model in the future. The basis perception is the mandate of the UU Desa that encourages the management of village financial, requires an ideal financial audit model to creates independency. Therefore, it is necessary to analyze through the progressivity of law as a responsive law, which does not end with the creed of "rationality above all"³⁹. Here it means, always tries to provide benefits and fulfill the needs of the *nagari* government on financial management aspects.

3. Analysis Model of BPK Audit for Village Finance

a. Overview of Unit Analysis

Solok District is one of the districts in West Sumatra Province which has an area of about 3,738.00 Km²⁴⁰, with population in 2020 for 391,497 people⁴¹. Solok District has 14 sub-districts, 74 *nagari* and 414 jorong⁴². The government in Solok District led by a regent whom carrying out its duties as local head government, assisted by the regional institutions. Then, *nagari* is govern by apparatus of village government which lead by *Wali Nagari*. The following is a table of distribution of the number of *nagari* per sub-district in 2020 (details of *nagari* in appendix 3):

Table 1 Number of *Nagari* per Sub-District in Solok Regency in 2020

Sub-District	Number of <i>Nagari</i>
Pantai Cermin	2
Lembah Gumanti	4
Hiliran Guanti's	3
Payung Sekaki	3

³⁶ Prasetyo & Muis, *Op. Cit* , pp 16-31

³⁷ Gunawan, *Op. Cit*, hlm. 173-183

³⁸ Zulkarnain Ridlwan, *Indonesian State Law Opposite of Nachtwachterstaat*, Fiat Justitia Journal of Legal Studies Volume 5 No. 2, 2012, Pg. 143

³⁹ Budiyono, *The Model of Local Regulation of the Human Rights Fulfillment Based on Progressive Law* , JALREV Vol. 3, 2021, p. 28

⁴⁰ BPS, 2021, Solok Regency in Figures 2021, (Kayu Aro: BPS), Pg. 8.

⁴¹ *Ibid* , Pg. 11 3

⁴² *Ibid* , Pg. 36

Sub-District	Number of Nagari
Tigo Lurah	5
Lembang Jaya	6
Danau Kembar	2
Gunung Talang	8
Bukit Sundi	5
IX Koto Sungai Lasi	9
Kubung	8
X Koto Diatas	9
X Koto Singkarak	8
Junjung Sirih	2
Total	74

Source: Solok Regency in 2021 Figures (BPS, 2021)

Furthermore, the Local Regulation No7/2006 (*Perda Nagari*) mentioned the government of *nagari* includes government, *Badan Permasyarakatan Nagari/BPN*, and *Jorong*. Basically, the *nagari* government is a manifestation of the executive function, BPN is a manifestation of the legislative function, and the *Jorong* is the smallest unit of the *nagari* which led by the Head of *Jorong*. The *Nagari* government led by the *Wali Nagari* who is assisted by the Secretary. In addition of that, there is also the *Kerapatan Adat Nagari/KAN* which as institution which had the authority to manage customary/*adat* matters, related to *sako* and *pusako* assets⁴³. The following is the organizational structure of the *nagari* government in Solok District:

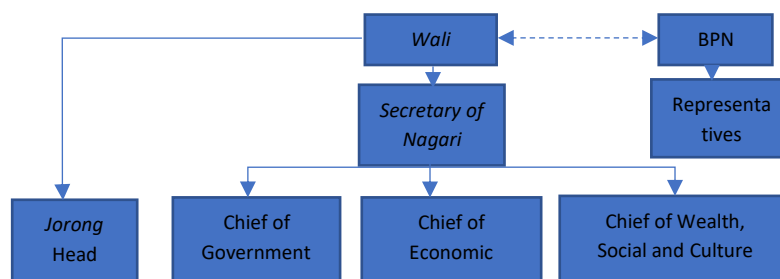


Figure 1 Organizational Structure of Nagari Government in Solok District

Source: Local Regulation Number 7 of 2006

b. Questionnaire Analysis Results

The questionnaire was distributed through the *Jotform* during period of February-March 2022 (details of respondents' answers in Appendix 6). The following section will describe the general description of the respondents by region, position, formal education, and experience. Based on the distribution of respondents per sub-district, it is presented below:

⁴³ Lusi Puspika Sari, Aidil Zetra, Tengku Rika Valentina, *The Role of Public Space in Increasing Political Participation in Talang Anau Village*, Niara Journal Vol. 13 No. 2, 2021, Pg. 14

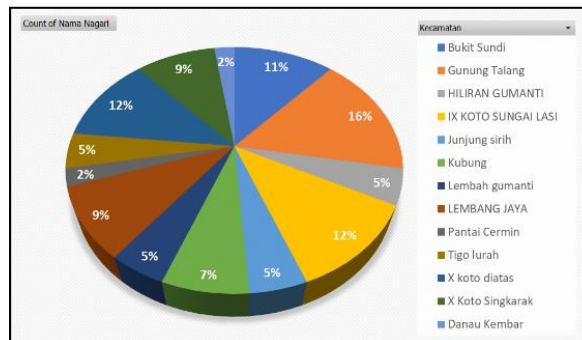


Figure 2 Description of Respondents Per Sub-District
 Source: Questionnaire results, processed

The picture above shows that majority of respondents are from Gunung Talang Sub-District of 16,00% or 7 (seven) *nagari*. Meanwhile, Pantai Cermin and Danau Kembar Sub-Districts are the lowest for 2% or 1 (one) *nagari*. Meanwhile, based on the respondent position, it is known that all respondents (100,00%) are secretary of *nagari*. Regarding this matter, basically the secretary is also the target respondent who able to explain based on their experience, about the BPK audit. Furthermore, based on the formal education, is presented as below:

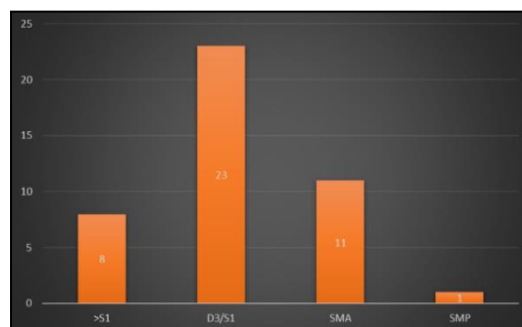


Figure 4 Description of Respondent Formal Education
 Source: Questionnaire results, processed

Based on the picture above, it is known that 23 respondents are D3/S1 graduates, 11 respondents are high school graduates, 8 (eight) respondents are > S1 graduates and 1 (one) respondent is a junior high school graduate. Them, the length of time the respondent has served in the related position is presented as below:

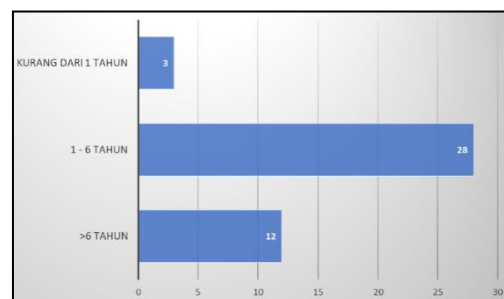


Figure 5 Description of Respondents' Experiences in their Positions
 Source: Questionnaire results, processed

Based on the figure above, it is known that 28 respondents (65,11%) have served 1-6 years in their position, 12 respondents (27,90%) have served > 6 years, 3 (three) respondents (6,97%)

have served < 1 year. Furthermore, the analysis of respondents' answers to research statements is described in points 1) to 3) below.

a. Knowledge Variable Analysis Results

1. Dimensions of Understanding on BPK Audit

Based on the questionnaire responses, it is known as following figure:

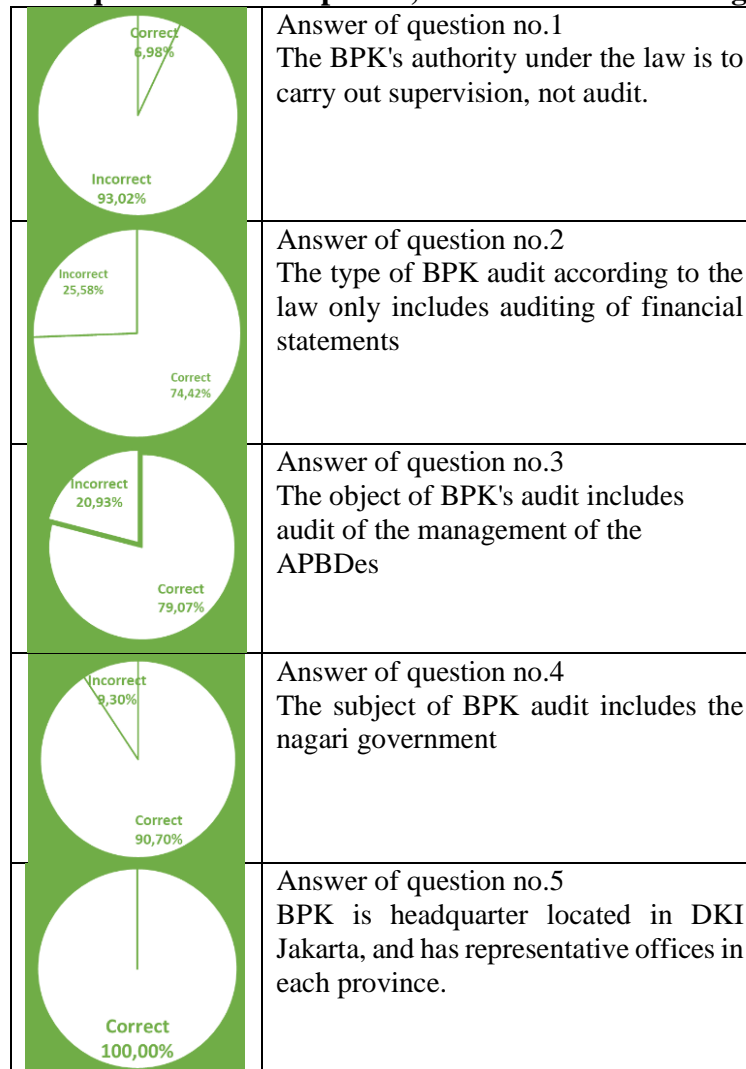


Figure 6 Percentage of responses to Understanding Dimension

Source: Questionnaire results, processed

Based on the picture above, it is known that 93.02% or 40 respondents have already understood that the authority of BPK is to carry out audit, and not supervision/monitoring. Furthermore, only 25.58% or 11 respondents understand that the type of audit by BPK is not only limited to financial audit. Meanwhile, only 20.93% or 9 (nine) respondents understand that the object of BPK audit based on regulation, does not includes APBDes. Furthermore, only 9.30% or 4 (four) respondents understand that the *nagari* government is not part of the subject of BPK audit. Moreover, 100.00% or 43 respondents knows that BPK headquarter located in DKI Jakarta.

The above responses shows that respondents basically understood the existence of the BPK as institution with a high percentage of the answers to questions number 1 and 5. However, the majority of respondents still do not fully understand the duties and functions of BPK, especially due to financial management of *nagari*, as shown by low percentage of answers to questions number 2, 3, and 4.

The results of interviews with the DPMN stated that the factor such as lack of socialization of the duties and functions of the BPK from the local government, could be the causes of the limited knowledge of the *nagari* government about the authority of the BPK audit of *nagari*. However, the UU Desa and its derivatives regulation which does not mentioned any phase audit by the BPK also become a limitation for DPMN to conduct such socialization. This is as stated by the DPMN:

“...the village only knows from the outside, BPK as a state institution, what we socialize more is related to the Inspectorate, BPKP, or supervision agencies. Maybe this is because the law or regulation was not clear indeed, including Permendagri Number 20/2018 concerning Village Financial Management, nor was there an audit phase stated...”

This is also in line with research by Yusdiyanto which revealed that one of the village government problems is the lack of socialization by higher government, especially regarding any recent legal product or regulation⁴⁴.

b. Dimensions of Experience of BPK Audit

Based on the results of the questionnaire, it is known that not all respondents have priorly audited by the BPK. It is known that 51,16%, or as many as 22 *nagari* have been audited by BPK, while the remaining 48.84% or 21 *nagari* have never been audited by the BPK. This will be the basis for formulating the benefit variable in the following section. Therefore, the results of data processing are limited to the 22 *nagari* above, described in the following discussion.

During the last 5 (five) years, the intensity of BPK audit visiting *nagari* is as follows:

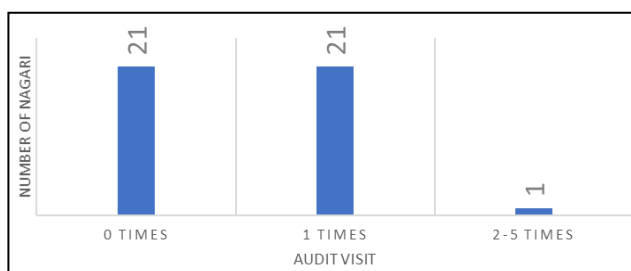
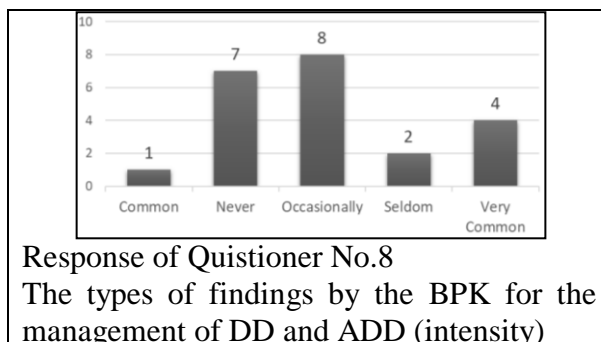


Figure 7 Bar Chart of Inspection Visit Intensity in Nagari
Source: Questionnaire results, processed

Based on the picture above, it is known that in 21 *nagari* have been visits for audit by BPK in the last 5 (five) years for 1 (one) times, and in 1 (one) *nagari* audit visits have been made 2-5 times in the last 5 (five) years, which located on *Nagari Kacang*, District X Koto Singkarak. **Regarding the types of audit findings, the classification of the types of findings stated by the BPK teams could be identified as follows:**



⁴⁴ Yusdiyanto, *Implementation of Village Government in Indonesia Based on Law Number 32 of 2004 concerning Regional Government*, Fiat Yustisia Journal of Legal Studies Vol. 1 Number 2, 2007, 183.

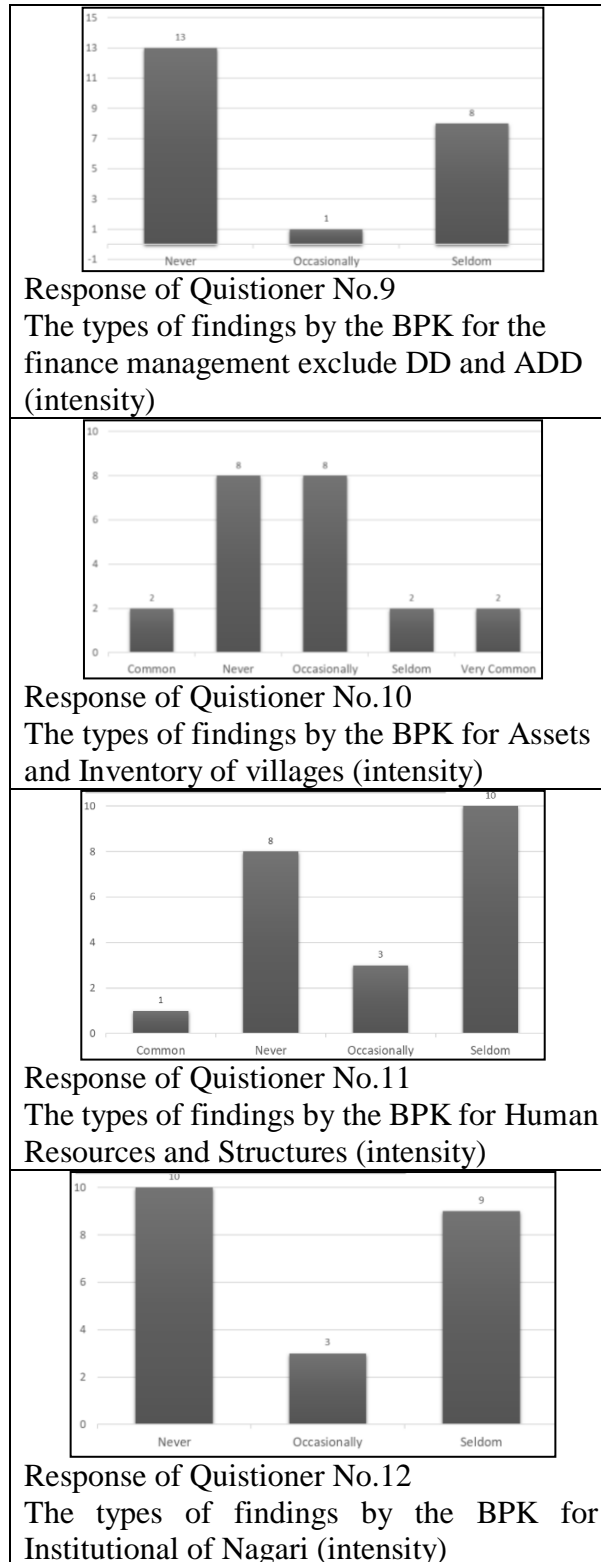


Figure 8 Bar Chart Intensity and Types of BPK Audit Findings
Source: Questionnaire results, processed

Based on the picture above, it can be seen that:

- a. Total of 9 (nine) respondents (40.90%) stated that BPK had never and seldom conducted audits related to the management of DD and ADD in the *nagari*, and in fact BPK had conducted audit of the financial management of the *nagari* (excluding DD and ADD);

- b. More specifically, 14 respondents (63.63%) stated that BPK actually carried out audit related to *nagari* asset and inventory management, human resource management and *nagari* apparatus, and 12 respondents (54.54%) stated BPK had presented findings related to aspects village institutions. Thus, BPK is not limited to conducting audits through the approach of DD/ADD sources of funds, but also on *nagari* finances and institutions. This is in line with previous research such as that conducted by Sugiharti & Ramdan⁴⁵.

Furthermore, respondents stated different achievements on the follow-up to recommendations of the BPK audit, with achievements of 80%-100% as much as 45.45%, and 31.82% still below 20%, as presented below.

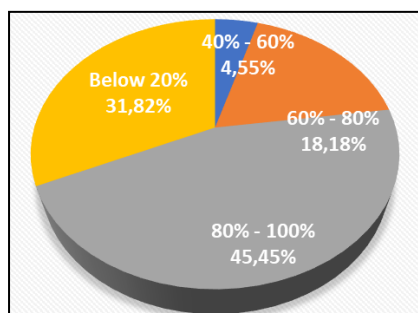


Figure 1 Pie Chart of the Percentage of Follow-Up on BPK Recommendations
Source: Questionnaire results, processed

This shows that the compliance level of the *nagari* government is not high enough to follow up the recommendations of the BPK audit.

a. Result of Benefit Variable

Based on the discussion in point a.2) above, it is known that the number of *nagari* that had been previously audited in the last 5 (five) years period was 51,16% or 22 villages. So that in this section, the processing of research results is only carried out for these villages, with the results as follows:

1. Dimensions of the Benefits of BPK Audit on *Nagari* Financial Management

Based on the results of the questionnaire, it is known that 80.81% of respondents strongly agree to state that the BPK audit has been useful in improving the performance of the *nagari* government. Meanwhile, 92,59% of respondents strongly agree that the BPK audit has been useful as a basis for making decisions regarding financial management in the *nagari* government. However, only 62,50% of respondents agree that the BPK audit has provided any benefits improving the human resources/organs of the *nagari* government. Furthermore, only 60,24% of respondents stated agree that the BPK audit has been able to identify any problems related to assets and infrastructure of *nagari* government. More details in appendix 7.

This shows that the BPK audit has provided benefits in the administrative and financial governance dimensions of the *nagari*, especially improving performance and decision making. Regarding this matter, the results of interviews with the DPMN stated that basically audit really helpful to improve the financial performance and also as consideration on strategic decisions making of *nagari* government, as stated in the following statement: “...yes, it is acceptable for the *nagari* to state that the BPK audit has brought beneficial for improving performance and decision making in the *nagari*. An example is the BLT Covid program from the DD. In this program, BPK can do more than just maps the compliance aspect of the funds usage, but also on the effectiveness and outcomes (objectives) of the program against poverty in the *nagari*...”.

⁴⁵ Sugiharti & Ramdan, *Loc. cit.*

2. Dimensions of the Benefits of BPK Audit on Problem Identification

Based on the results of the questionnaire, it is known that 78,65% of respondents strongly agree that the BPK audit has been useful in identifying fraud of financial management. Meanwhile, 68,18% of respondents stated that the BPK audit had been useful in identifying indications of corruption in the financial management of the *nagari*. More details in appendix 7. This shows that the BPK audit has provided benefits in identifying financial management problems in the *nagari* government, although it is still considered not optimal.

Regarding this matter, the results of interviews with the DPMN stated that the presence of BPK could encourage improvements in *Nagari* financial governance, including early detection of fraud or corruption, as stated below: “...yes, since the presence of the BPK, we identify the financial performance of the *nagari* government is better, the BPK can be a reminder so they don't do any things illegally, because they know their performance will be audited by external parties. If nothing is checked, they sometimes likely to think it's their money..”.

b. Result of Needs Variable

Based on the results of the questionnaire on all samples, it is reveals as follows:

1. Dimensions Needs of Basic Values

Based on the results of the questionnaire, respondents really expect BPK audit should be able to prioritize the value of independence during audit (90,91%) and also apply the audit standards (88,94%) (Details in appendix 7). This shows that respondents expect BPK auditor to prioritize basic values during audits. Regarding this matter, the results of the interview with the DPMN stated that the it is logic if there was hopes form village government that BPK auditor can prioritize the basic values of independence, professionalism and apply audit standards in the auditing assignment. This is as stated as follows: “...that's right, just like in local governments, we also hope that BPK auditors can remain professional and independent. Now, as far as I know, they don't want to be served, declined to paid for eat and drink, and also lodging..”

2. Dimensions Needs of BPK Audit Type

Result shows that respondents strongly agree that the ideal type of BPK audit for *nagari*, prioritize as follows audit of Internal Control (82,93%), then audit of compliance (62,50%) and audit of financial statements (53,57%) (Details on appendix 7). This shows that respondents expect BPK should focus this type of audit to improve on internal control, rather than compliance and general audit. Related to this, the interviews with the DPMN stated that *nagari* government were expecting the BPK to audit internal control of *nagari* government. This perception could be appears based on fact that there were already many supervisions and guidances to the *nagari* government, so that the *nagari* government expects the BPK specialize on internal control audit, as mentioned follows: “...this can be due to the frequent overlapping between supervision by the Inspectorate and BPKP, also monitoring by the DPMD and also audit by the BPK, even on the same object. So that the workload the *nagari* government piled up. So, they hope BPK can specialize in terms of the SPI aspect of financial management, not to financial reports or compliance...”

3. Dimensions Needs of the Scope of BPK Audit

Based on the questionnaire, respondents really hope that the scope of BPK audit can be direct more on assessing the performance of a program (effectiveness, efficiency and economic aspects) of 88,52%, assessing the expenditure compliance with budget of 77,32%, indicating the fraud or corruption of 75,27%, decision making by 72,58%, assessing the compliance of procurement by 70,68%, and assessing the revenue compliance with the budget of 57,14% (details in appendix 7). This results shows that respondents needs the BPK audit can be useful for assesing the performance of an activity, assessing the compliance of expenditure with budgets and identifying fraud or corruption.

Then, the results of interviews with the DPMN stated the urgency of the performance audit by the *nagari* government, based on the consideration that *nagari* government requires an assessment for the program achievements, especially DD which transferred from the central government, as disclosed as follows: “...of course they (the *nagari* government) hope their performance can be more assessed and thoroughly, yes, including the achievement of goals, compliance with standards and regulations from the central government, especially the management of DD. However, there may also be a perception in the *nagari* government that the BPK could explained the rules clearer, since BPK more familiar with higher and central regulation products. The presence of BPK expected could assure there will be less mistakes of the fund-usage in the future...”

4. Dimensions Needs of Ethics

Based on the questionnaire, it is known that respondents expect that BPK auditor should uphold ethics, norms and courtesy for 94,34% (details in appendix 7). Related to this, the interview with the DPMN stated that the ethical aspects, norms, and courtesy during audit process can be more applied in the future, as mentioned follows: “...yes, of course, that is also our hope for the scope of regional government. Unfortunately, as the BPK audit conduct in teams, sometimes there are members who sometimes impolite, even not all of them. Perhaps that is also the hope and needs of the *nagari* government”

c. Benefits and Needs of BPK Audit in Financial Management of *Nagari*

1. Benefits of BPK Audit

The *nagari* government considers that the audit actually has provided benefits of improving the performance of the *nagari* government's activities and as a guide for strategic decision of the *nagari*. So that, the type of performance audit as stated on Article 6 paragraph (3) of the UU BPK is considered to brought more benefit for the government of *nagari*;

2. Audit Needs

The *nagari* government considers that the BPK audit model should focused on internal control audit, as well as a performance audit. Furthermore, audit which able to reveal the consistency between expenditure and budget, as well as identify the *fraud* or corruption is also a necessity. Therefore, the ideal audit model for the *nagari* government is an integrated audit which according to ISO is an audit model which implements two types of audits as an integrated process that produces one report/conclusion, particularly related to performance improvements that can be added to other types of audits, such as internal control and compliance⁴⁶.

Non technical aspect, such as urgency of audit which comply to standard audit and basic value also required. Auditor also expected to uphold professionalism, courtesy and dignity.

C. Conclutins

Research concludes the following:

The authority of BPK conducting financial audits of village, based on positive regulation, still limited by the existence of transfer funds of APBN/D. The authority of BPK to conduct audits of village finances still limited by the fact that village government as institutions and APBDes have not yet been mentioned in the package of state finance regulations, as well as package of village regulations. Practically, the implementation of the audit conduct by the article 2 letter i of the UU KN. Though, these rules have not been firmly established to considered as legal basis, and consequently bring risk of arbitrary actions (*willekeur*) by the BPK, even bring a risk of a lawsuit against the authority of BPK, in the future

Regarding the benefits of the BPK-RI audit, the *nagari* government considers that the BPK audit has been useful to encourage performance improvement, strategic decision making of the *nagari* government. Due to the needs, the *nagari* government expects BPK auditors to prioritize

⁴⁶ The International Organization for Standardization (ISO), *ISO 19011 Third edition 2018-07, Guidelines for auditing management systems*, p. 1

basic values and audit standards, focusing on the types of internal control audits and performance audits. In addition, the audit also expected to uphold professionalism and ethics by the BPK auditors. Therefore, the *integrated audit model* is considered as an ideal alternative audit model that can be recommended for audit of village government.

D. Research suggests the following:

In order for the audit of BPK to have a clearer *legal standing*, it is necessary to amend the regulatory package of laws related to state finances and villages. Regarding the package of state finance laws, it is necessary to state the existence of village government and APBDes. Meanwhile, in the package of village laws, it is necessary to mention the existence of models and types of external audits that need to be present in village financial management. The main articles that need further revision especially are Article 6 paragraph (1) of the UU BPK, as well as Article 2 letter i of the UU KN. Then, the lawmakers should be able to be more specific in formulating the ideal model and scheme of BPK audit of village finances;

BPK auditor should be more careful interpreting a regulation, so that there is no potential for arbitrary actions and potential lawsuits of authority, in the future.

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