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Village Political Finance Management Law

Zákon o riadení politických financií obce

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Abstract:

Inequality and differences in authority and procedures for forming villages can influence the legal politics of managing village funds. Thus, a law is needed to regulate the law fund management. This study aims to determine how village financial management is regulated after enacting the Law of the Republic of Indonesia No. 6 of 2014 concerning villages. This research was conducted to adjust financial management arrangements based on Law No. 6 (2014) so that the funds spent by the village can be detailed clearly. The normative juridical method is used by systematically analyzing the provisions of the law and evaluating the conformity between the existing laws and regulations and changes to these laws. The study results show that the legal ratio of village financial arrangements based on Article 3 of Law No. 6 of 2014 concerning Villages has the principles of recognition, subsidiarity, diversity, togetherness, deliberation, democracy, independence, participation, equality, empowerment and sustainability. The legal ratio for the village financial management is also regulated in 4 stages; planning, implementation, administration, and reporting and accountability.

Keywords: *political law, financial management, village finance*

Abstrakt:

Nerovnosť a rozdiely v právomociach a postupoch pri zakladaní dedín môžu ovplyvniť právnu politiku hospodárenia s dedinskými fondmi. Preto je potrebný zákon, ktorý by upravoval hospodárenie s právnym fondom. Cieľom tejto štúdie je zistiť, ako je regulované finančné hospodárenie obce po prijatí zákona Indonézskej republiky č. 6 z roku 2014 o obciach. Tento prieskum bol vykonaný s cieľom upraviť opatrenia finančného hospodárenia na základe zákona č. 6 (2014) tak, aby bolo možné jasne uviesť finančné prostriedky vynaložené dedinou. Pri systematickom analyzovaní ustanovení zákona a hodnotení súladu medzi existujúcimi zákonmi a predpismi a zmenami týchto zákonov sa používa normatívna právna metóda. Výsledky štúdie ukazujú, že právny pomer dedinských finančných opatrení založených na článku 3 zákona č. 6 z roku 2014 o obciach má princípy uznania, subsidiarity, diverzity, spolupatričnosti, deliberácie, *demokracie, nezávislosti, participácie, rovnosti, splnomocnenia a udržateľnosti. . Právny pomer pre hospodárenie obce je tiež upravený v 4 etapách; plánovanie, implementácia, správa a podávanie správ a zodpovednosť.*

Kľúčové slová: *politické právo, finančné hospodárenie, financie obce*

Introduction

Village finance plays a significant role in administering village government. Therefore, laws are needed to clarify the funding authority in each activity, extract village income sources, manage village assets, plan and manage village revenue and expenditure budgets (APBD), and establish and manage village-owned enterprises (BUMD). There are three basic principles of Village finance; first, the village has the right to obtain government allocations for government, development, and community functions. Second, money follows a function, where this function is based on Village authority and planning. Third, no mandate without funding or no mandate without money. This principle applies to assistance assignments given to the village, where the village has the right to refuse assistance assignments if funds, personnel, facilities, and infrastructure do not accompany it.

In addition, all assistance from the government and third parties (programs, funds, assets) that enter the village must go through the village account/cash and be recorded in the APBD. Financial planning is carried out in a participatory manner, and Village financial management becomes the authority of the village head by applying the principles of efficiency, effectiveness, transparency and accountability.

So far, before the village law was enacted, village finances were supported by two primary sources, namely village original income (levies, proceeds from village assets, cooperation and community self-help) and assistance from the district/city government. However, empirically, there are several problems related to the village finances. First, the size of the Village budget is minimal. The village's Original Income is minimal, partly because the village needs more authority and capacity to explore the potential of the village's financial resources. The village is not authorized to collect taxes and fees but only gets a percentage of the distribution. The village budget is insufficient to support essential services such as education, health and housing. In other words, there is a fiscal gap between the supra-Village government finances and the Village government.

Second, there needs to be more responsibility, responsiveness, and community participation in the village budget. Community participation in the Village development budget is substantial, while responsibility and responsiveness are minimal. Most of the Village development budget, especially physical development (infrastructure), is supported by cooperation or community self-help. Meanwhile, the government funds are minimal, which functions as a stimulant to mobilize community self-help funds. Even though the strength of funds from community members is minimal, considering that most village residents experience difficulties in financing basic needs (board, clothing, food, education and health) for their respective families.

Third, the scheme for providing government funds to villages does not encourage empowerment. Moreover, the equal allocation of funds to all villages only functions as a stimulant, which does not reflect aspects of diversity (geographical and socio-economic conditions of the village) and justice. Both poor and rich villages will receive the same allocation. The government's paradigm and policies on the village do not promote the welfare and independence of the village.

During the validity period of Law no. 22/1999, people were only familiar with the concept and scheme of government assistance to support village finances, even though in terms of regional finance, it is known as the balance between central and regional finances. The concept of "assistance" is certainly not clear. It depends on the government's generosity and, at the same time, shows that the village has no right to state money. Even though Law No. 22/199 has not provided a clear mandate regarding the balance or allocation of funds to the village, since 2001, several district/city governments have innovated to create a proportional Village Fund Allocation (ADD) policy with a more considerable amount than the previous financial assistance. The experiences from many regions have been well adopted by Law No. 32/2004, namely fixing the weaknesses contained in Law No. 22/1999 by changing the concept of "aid" to "share." It means that the village has the right to receive an allocation of a portion of the balance funds received by the district/city government. The Village Fund Allocation (ADD) policy is increasingly emphasized in PP No. 72/2005, which states that one of the village financial sources is "the share of central and regional financial balance funds received by the Regency/City for Villages of at least 10%, after deducting personnel expenditure, the distribution of which is for each Village in proportion allocation of village funds." This regulatory clause is the legal basis for the Village Fund Allocation (ADD).

In carrying out the financial management, the village government following the provisions of Law No. 6 of 2014, namely the village head as the highest authority in the field of administering village governance, implementing village development, developing village communities and empowering village communities based on community initiatives, origin rights, and village customs. Village authority is carried out by the village head and the village government structure, which, in essence, is the authority for village government, the basic norms/laws of Article 18 B paragraph (2) of the 1945 Constitution of the Republic of Indonesia. Hence, this rule allows for a government structure in the Indonesian government system.

In its development, it encountered several obstacles in the field related to the implementation of village financial management. One is the need for more understanding of village officials in managing village finances. If this is not followed up with structured and proper fund management, then the large number of funds each village receives can open up opportunities for budget and authority abuse. Haidin explained that implementing village financial management after the enactment of Law No. 6 (2014) still needs to be improved [1]. Pardiyanto, in his research, found that after the enactment of Law No. 4 (2014), there is potential for both manifest and latent conflict in its implementation [2].

For this reason, in village management, efforts to socialize and empower human resources within the government apparatus in the village are needed so that they are targeted for efficiency and transparency. This study aims to understand and explore the fundamental reasons for the legal and political ratio of legal management of village finances after the Law of the Republic of Indonesia No. of 2014 concerning villages. The results of this research are expected to become the foundation of the paradigm and mindset in the application of the village budget in managing village finances after the Law of the Republic of Indonesia No. 6 of 2014 concerning villages.

Research Method

This research refers to normative research that focuses on finding the coherence of truth. The truth of coherence is a truth based on the conformity between what is examined and the rules applied in village financial management, which have implications for criminal acts. This research also falls into “doctrinal research” and “reform-oriented research”. Hutchinson, as quoted by [3], states that “doctrinal research” is research that systematically explains the laws and regulations governing a particular field of law, analyses the relationship between existing laws and regulations, explains the problem areas and possibly predicts future developments and “reform-oriented research” namely research that changes to laws and regulations if necessary.

The data used in this study includes laws and regulations related to village autonomy after the issuance of Law No. 6 of 2014 concerning Villages. The data was obtained utilizing a literature study which was then analysed to solve legal problems. The analysis was carried out by describing, systematizing, and exploring the collected research data until a conclusion was found. This research is limited to village financial management arrangements after enacting the Law of the Republic of Indonesia No. 6 of 2014 concerning Villages.

Result and Discussion

Regulations that contain lots of instructions and interventions will certainly blunt local initiatives. Therefore, village independence requires a combination of two things: local initiatives from below and p; policy responses. State recognition is needed for Village entities and including indigenous people organizations, which are then followers by establishing rights, powers, authorities, resources and responsibilities to the Village. Authority allows the village to have the opportunity and responsibility to manage its household and the interests of the local community, which will also become a frame for the Village to make local plans. Village Planning will provide flexibility and opportunities for Villages to explore local initiatives (local ideas, wish, and desire), which are then institutionalized into policies, programs and activities in the field of governance and Village development with the birth of the Village Fund policy. Thus the Ratio of Legislative Politics and Legal Arrangements for the Village Financial Management to realize village independence that has relevant (objectives and benefits), including (a) Realizing Village independence as the basis for the independence of the Republic of Indonesia, (b) Strengthening the position of the Village as a subject of development; c) Development planning approach to the community; (d) Equitable development; (e) Implementation of development financing efficiency following local needs; (f) Generating the local economy and the livelihoods of the Village community; (g) Encouraging trust, responsibility and challenges for the VIllage to generate Village initiatives and potential; (h) Increasing Village capacity in managing governance and development, and (i) Stimulating the growth of local community participation.

In understanding the effort to find legal principles, it can be started by raising a legal regulation to a higher level, generally known as the activity of seeking its *ratio legis*. The Village’s *ratio legis* regulation (village management), based on Article 3 of Law No. 6 2014 concerning villages, is based on; recognition, subsidiarity, diversity, togetherness, discussion, democracy, independence, participation, equality, empowerment, and sustainability.

1. Village Financial Management System

In the general provisions in Chapter 1 Article 1 Number 6 Minister of Internal Affairs' Regulation No. 113 of 2014, it is stated that village finances are all village rights and obligations that can be valued in money and everything in the form of money and goods related to the implementation and obligations of the village. While in Article 1 Number 7 Minister of Internal Affairs' Regulation No. 113 of 2014, village financial management is a whole activity that includes planning, administration, reporting, and accountability of village finances.

Village financial management is managed based on transparent, accountable, participative principles and is carried out orderly and with predetermined budget discipline. Village financial management is managed within one fiscal year, from 1 January to 31 December. The holder of the village financial management authority is the village head. In general, the authority possessed by the village head in managing village finances is not alone, assisted by the Village Financial Management Technical Executor (PTPKD), which consists of the village secretary, section head, and treasurer. The village head determines all elements of the PTPKD before carrying out tasks in managing village finances. The PTPKD elements have duties and authority in managing village finances. The village secretary acts as the technical coordinator for village financial management. Village management has power as the village head, who holds village finances and represents the village government in the ownership of separated village assets.

Village financial management cannot be separated from the Village Revenue Expenditure Budget (APBD), namely village income, spending, and financing. In general, it is classified according to group and type. Village income includes all money received through the village account, which is the village's right within one fiscal year and does not need to be repaid by the village. Village income consists of (1) village original opinion (PAD), (2) Transfers; and (3) other income.

Village original income (PAD) is divided into types in the form of business results (BUMD result), village treasury land, asset results (other boats, village markets, public baths, irrigation networks, and self-help, participation and cooperation – this is in the form of self-development efforts that involve the participation of the community in the form of labor, priceable goods, and another original village income which is in the form of village levies).

For transfers in the form of village funds, part of district/city regional taxes and regional levies, village fund allocation (ADD), financial assistance from the provincial APBD, and the district/city APBD financial assistance. Financial assistance can be both special and general, as it is known that in the form of financial assistance from the provincial APBD and district/city APBD,

Finally, for other income groups, in this case, the types are grants and donations from non-binding third parties and other legitimate village income. As explained in the Minister of Internal Affairs' Regulation, grants and donations from third parties are not binding. At the same time, other legitimate village income includes cooperation with third parties and company assistance located in the village.

2. Village Financing System in Village Financial Management

Village financing includes all receipts that need to be repaid or expenses that will be received back in the current fiscal year and subsequent fiscal years. In connection with financing expenditures, which consist of establishing a reserve fund and village capital participation, a concept is needed to form a reserve fund by the village government to fund activities whose provision of funds cannot be all at once/fully charged in one budget year. This reserve fund can be sourced from the allowance for village revenues, except receipts for which use has been precisely determined based on statutory regulations.

At the village management stage, the main problem is that the village official (head of the village and his apparatus) needs to understand village finances contained in the statutory provisions related to village finances. On the other hand, village officials (the head of the village and his apparatus) assume that village finances are only in the form of money. It is not village finance for village wealth in the form of land (TKD) and BUMD. It eventually becomes a legal issue because the use of village finances is not following its designation.

For this reason, village financial management is essential in managing village finances. The ability to manage finances in each village varies, depending on the village apparatus (human resources). As is known, the village has its PAD, including other legitimate village opinions, including the income from cooperation with third parties and assistance from companies in the village. The village's original income is from village authority based on origin rights and local village scale authority. Village business results also include Village BUM results and *bengkok* land. Village income comes from; 1) original village income derived from original village sources, results of village assets, self-help, participation and cooperation, as well as another legitimate village original income; 2) the share of regional tax collection and regency/municipal levies; 3) the portion of central and regional financial balance funds received by districts/cities; 4) central government assistance to villages, provincial and district/city government financial assistance; and 5) the village receives non-binding grants, the village receives non-binding donations. Acceptance of donations in the form of grants or similar goods and cash is recognized as an inventory and village treasury (Article 59 of the Village Law).

What must be mastered and implemented in village administration besides managing village finances? For this reason, the ability of each village to administer finances is very different—the village is a reporting entity for financial reports in managing village finances. The ability to prepare to account for each village is predicted to be very different due to differences in resources for accounting, so implementing regulations regarding accounting and reporting of village financial reports must be formulated very carefully. In reality, there are obstacles in almost all villages that are very difficult to adapt to accounting technology. In such conditions, there are various obstacles to its application because various villages apply government accounting only a few if any, and several villages use it in limited numbers. It is supported by the results of [4] research, which states that the quantity and quality of human resources have not been balanced with the roles and responsibilities they have received. The village does not yet have procedures and support for facilities and infrastructure to manage its finances, and the community is not yet critical of managing its income and expenditure budget.

Village financial management based on the Village Law combines the functions of a self-governing community with local self-government so that the village meets the requirements for a reporting entity because it has a general village form. Supposedly, a good village financial management system is built. Following the principles of good governance, to support villages as financial report reporting entities, it is expected to encourage village accounting. Control means the capacity of an entity to dominate decision-making directly or indirectly concerning the financial and operational policies of other entities to enable those other entities to operate with those policies in achieving the objectives of the controlling entity.

A village fulfils the requirements as an economic entity, namely a group of entities consisting of a controlling entity and one or more controlled entities, namely several hamlets that operate together to achieve goals consistent with those of the controlling entity. On the other hand, the village fulfils the requirements as a legal entity because it is legally established as a village and has a unique name. A village entity is an organizational structure or another form formed legally, and administratively that can use a village resource to achieve village goals. With the village issuing General Purpose Financial Reports (LKBU), which are needed for the consumption of broad stakeholders, the benefits of financial reports as a means of social marketing through financial reports are more significant than just the accountability of an independent village, not only to the Regent. LKBU aims to meet the need for information common to the readers' interests in financial statements.

For this reason, the entity’s LKBU is required to disclose information relevant to the information needs of users of financial statements to make economic decisions. In addition, the Government Accounting Standards (SAP) require that entities with the status of reporting entities prepare financial statements, which are different from financial reports for particular purposes or special financial reporting obligations. In the end, the larger and broader the membership or ownership of an entity, the greater the separation of the use of management power between management, members or owners of the entity, as well as the more significant the economic interests of other parties outside the entity’s management/members/owners, the more the dependence of users of financial reports on LKBU is also significant as a basis for making decisions on the allocation of funds.

The point is that after the Village Law, a village entity can have various sources of income and various segments of activity and geographic segments that are accounted for in the village’s financial reports. Village financial management, most notably at the planning stage, regulates how to manage village finances that have been agreed upon.

2.1. Planning

At this stage, the village secretary draws up a draft village regulation on the village budget. The village head submitted the village regulation draft regarding the village budget to the BPD for discussion and mutual agreement. Furthermore, the draft village regulations regarding APBD will be mutually agreed upon by October. After that, the village head will submit the draft village regulation regarding APBD to the regent/mayor through the sub-district head no later than three days after it was agreed for evaluation. The next step is for the regent/mayor to stipulate the results of the evaluation of the draft village regulation regarding APBD no later than 20 working days after receiving the draft village regulation regarding APBD. Suppose the village head needs to follow up on the evaluation results, and the village head persists in stipulating the draft village regulation regarding APBD to become a village regulation. In that case, the regent/mayor cancels the village regulation with a regent/mayor decision while declaring the ceiling of the APBD budget for the previous fiscal year.

The planning is guided by the Village Medium-Term Development Plan (RPJMD). The contents of the RPJMD are the Vision, Mission, and Program of the Elected Village Head and implementation of the RPJMD however, the implementation of the RPJMD is not prepared according to planning principles following the National Development Planning System Law (UU 25 of 2004). The main problem in organizing planning for the village financial management begins with preparing the Village RPJM and RKP. Still, it is guided by the provisions of UU 25 of 2004 concerning the National Development Planning System and Minister of Internal Affairs' Regulation Number 114 of 2014 concerning Village Development Guidelines, the framework for village development planning has been adequately established (Das Sollen). Village Development planning refers to the district/city RPJMD, not the other way around (Das Sein) is detailed and stipulated as the norm of Minister of Internal Affairs' Regulation 114 of 2014. The impact of an inaccurate plan is that village development programs allocated in APBD are also less effective and, only limited to jargon alone, cannot prosper the community following the expectations of UU 6 of 2014. The RPJMD is only a complementary tool as a requirement for preparing the RKP and the birth of the APBD. While the content or substance is not accountable according to the facts and characteristics of the local village, the RPJMD is prepared to copy-paste from the RPJMD prepared by the sub-district. It means that the preparation of the RPJMD is only stitched together (know so) from the sub-district staff so that the quality of the results of the RPJMD in each village is almost the same in content. Things like this make managing the village's financial planning less effective.

Hence, in managing village finances, planning documents must first be prepared, which include; the vision and mission of the village head, the direction of village development policies, as well as activity plans covering the areas of administering village administration, implementation of village development, village community development, and village community empowerment. The Law of the Republic of Indonesia No. 6 of 2014 concerning villages has accommodated the principles of democracy, independence, participation, equality and empowerment. Village development planning is not solely top-down but also carrying the concept of a developing village. The concept of a developing village puts forward village meetings to accommodate the community's actual needs.

2.2. Implementation

Implementation, in this case, is all village receipts and expenditures, with village authority carried out through the village treasury account. Particularly for villages that still need banking services, the district/city government determines the regulations. All village expenditures must be supported by complete and valid evidence. The village government is prohibited from making levies as revenue other than those stipulated in village regulations. Then the treasurer can save money in the village treasury for a certain amount to meet the operational needs of the village government. At this stage of implementation, the Village Head's role is dominant because the Village Head is the Holder of the Village's Financial Authority. However, the village head also has the authority as a budget user. It can be seen in the provisions of Article 29, which says that the Village Head accepts the submission of a payment request. Then, it is straightforward based on a payment system of village financial implementation. The organizational structure of village government in financial management can be explained in Figure 1 as follows:

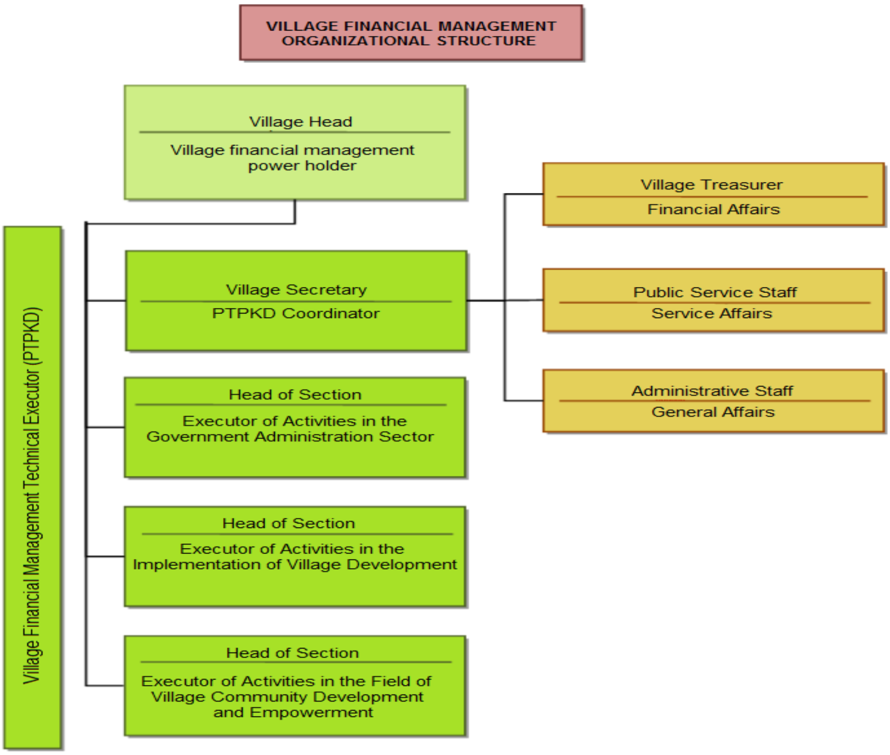

Figure 1: Village Government Organizational Structure in Financial Management

The community and village government can obtain assistance in stages in carrying out these development activities.

2.3. Administration

Based on the Budget Plan document, the administration starts from the planning and implementation stages. Following legal provisions, village financial administrators should compile all administrative documents despite limited human resources and infrastructure supporting village administration. The administration is also equipped with complete and valid evidence following the substance and procedures that must be carried out. For example, employee spending will differ from spending on goods/materials. Expenditure on goods is tied to the village's rules for procuring goods and services. The administration is a recording activity that the village treasurer carries explicitly out.

2.4. Reports and Accountability

The village head should submit reports. The reports are semi-annual and annual, submitted to the Regent/Mayor and some to the BPD. The Village Head is the person in charge of overall village financial management. In PP No. 43 of 2014 articles 103-104 regulate reporting procedures the Village Head must carry out. The Village Head must submit a report on the implementation of the Village Budget to the Regent/Mayor every semester of the current year (semester report). In addition, the Village Head is also required to submit an accountability report on the realization of the APBD implementation to the Regent/Mayor at the end of each fiscal year (annual report). Reports made by the Village Head are addressed to the Regent/Mayor and are submitted through the sub-district head. Generally, reporting arrangements and accountability for using APBD are listed in Minister of Internal Affairs' Regulation No. 113 of 2014 concerning Village Financial Management. Minister of Internal Affairs' Regulation also stipulates standards and accountability reporting formats that the Village Head must prepare.

Conclusion

This study aims to understand the logical political ratio of legal regulation of village financial management after the Post Law of the Republic of Indonesia Number 6 of 2014. The results of the study indicate that the logical political ratio of legal regulation of village finances is carried out to realize village autonomy according to the provisions of Article 18 B paragraph (7) of the 1945 Constitution of the Republic of Indonesia. Meanwhile, legal politics implies legal policy. Hence, to realize village autonomy, independence and prosperity, villages require funding in the form of Village Funds sourced from the APBN. The APBN can support the acceleration of development in the context of realizing general welfare, the nation's aspirations, and educating the people. Unfortunately, social and legal entities in terms of human resources and legal instruments have yet to be able to oversee and control accountable village financial management. Hence, legal instruments are needed that are easy to implement (law implementation) by the Village Government and facilitate control/supervision.

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