



Analysis of Potential Deviations in the Village Fund Supervision Chain

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Article Info

Article history:

Received 11 November 2025

Received in revised form 12
February 2026

Accepted 10 April 2026

Keywords:

Village Funds
Potential for Deviation
Supervision

Abstract

The Village Fund Program represents a key policy initiative of the Indonesian government aimed at accelerating rural development and enhancing community welfare. Despite its strategic importance, its implementation continues to face oversight challenges that create opportunities for irregularities, as observed in Manggarai Regency, East Nusa Tenggara. This study seeks to examine the implementation of the Village Fund oversight system, identify potential points of deviation within the control chain, and analyze the implications of weak supervision on accountability. This research adopts a descriptive qualitative approach using a case study method. The study was conducted in four villages in Satar Mese District, namely Paka, Papang, Lolang, and Umung. Data were collected through in-depth interviews, observation, and documentation involving village heads, officials, BPD members, facilitators, community leaders, and beneficiaries. Data analysis followed thematic procedures, including data reduction, presentation, and conclusion drawing, supported by source and method triangulation to ensure validity. The findings reveal that the oversight system remains suboptimal. Potential irregularities emerge in three dimensions. Procedurally, monitoring and audits are not conducted consistently, with Lolang Village not audited by the Inspectorate between 2019 and 2024. Participatory weaknesses are evident in the limited involvement of the community and BPD. Administratively, documentation and reporting practices remain incomplete. These conditions increase the risk of moral hazard, weaken accountability, and reduce public trust. Grounded in Agency Theory, Fraud Triangle Theory, Good Governance, and public sector deviation perspectives, the study highlights the need to strengthen BPD capacity, enhance officials' competence, provide internal audit training, and implement periodic external audits to ensure transparent, participatory, and accountable governance.

Introduction

Village Funds as an instrument of National Strategic Development and Policy since 2015, Village Funds have become one of the strategic policy instruments in an effort to accelerate village development and reduce poverty in rural areas (Putri & Djuwitaningsih, 2026; Mahadewi et al., 2026; Siregar et al., 2026). This program is a concrete implementation of the Nawacita vision, especially the third point, namely: "building Indonesia from the periphery by strengthening regions and villages within the framework of a unitary state." Through Law Number 6 of 2014 concerning Villages, the central government mandates the allocation of Village Funds sourced from the State Budget (APBN) and transferred directly to village accounts through the Regency/City Regional Budget (APBD). By 2023, the total Village Funds disbursed by the government reached more than IDR 468 trillion, with an average allocation per village of around IDR 1 billion per year (Ministry of Finance of the Republic of Indonesia 2023). In East Nusa Tenggara (NTT) province, specifically in Manggarai Regency, the 2023 Village Fund allocation was recorded at IDR 192 billion, distributed to 171 villages (Manggarai

PMD Service, 2023). These funds were used to finance various physical and non-physical development programs, community empowerment, and support village government administration.

Although Village Funds have brought significant changes to various parts of the archipelago, the reality on the ground shows that Village Fund management still faces various challenges, particularly related to oversight (Herwawan et al., 2026; Junaidi & Adnan, 2023; Permatasari et al., 2024). Findings by the Indonesian Supreme Audit Agency (BPK) in its Summary of Audit Results for Semester II of 2020 revealed more than 1,400 cases of Village Fund misappropriation nationwide, with potential state losses reaching Rp 433 billion. These cases include fictitious projects, budget markups, reporting manipulation, and conflicts of interest among village officials (Dalam et al., 2025; Jeddawi et al., 2025; Karianga, 2023).

In Manggarai Regency, the Regional Inspectorate and the District Attorney's Office have uncovered several significant cases of alleged Village Fund misappropriation in recent years. One of the largest cases occurred in Golo Lujang Village, Boleng District, West Manggarai, where Village Head Emilianus Susanto was suspected of corruption in Village Funds for the 2021-2022 fiscal year with state losses reaching Rp. 927 million (Detik.com, 2025); tribunflores.com, 2025; Antaranews.com, 2025). The three have been named suspects and detained since April 2025 for further legal proceedings. Another case occurred in Gunung Baru Village, East Manggarai, where Agustinus, the former Village Head, was suspected of misappropriating Rp. 483 million in village funds for the 2019-2020 fiscal year. The case files have been transferred to the Manggarai District Attorney's Office after the investigation process by the East Manggarai Police (Tipidkorpolti.info, 2023).

In addition, the Head of Lele Village, Welak District, West Manggarai, Avenius Galus, is also a suspect in a Village Fund corruption case with the mode of fictitious incentive payments and fictitious procurement of goods that caused state losses of more than IDR 650 million for the 2020-2022 budget year. Avenius Galus has been detained at the West Manggarai Police Detention Center since April 2025 (Detik.com, 2025). The latest case currently under investigation is the alleged corruption of Village Funds worth IDR 1.8 billion in Golo Wontong Village, North Lamba Leda District, East Manggarai. Nikolaus Ganus, a former two-term Village Head, is suspected of embezzling village funds for three years (2021-2023). The Manggarai District Attorney is still awaiting the results of the audit for the year (2021-2023). The Manggarai District Attorney's Office is still waiting for the results of the inspectorate's audit to determine the suspect (Floresa.co, 2024). These cases not only have an impact on state financial losses, but also create public distrust of the village government and hinder the achievement of development goals and empowerment of village communities (Marhaeni et al., 2024; Sabet & khaksar, 2024; Noor et al., 2024).

Table 1 Cases of Alleged Misappropriation village Funds in Manggarai Regency 2019-2023

No	Village/Sub-district	Fiscal year	Loss Amount (Rp)
1	Golo Lujang, Boleng	2021-2022	952,071,408
2	Mount Baru, East Manggarai	2019-2020	483,132,660
3	Lale, Welak District, West Manggarai	2020-2022	650,000,000
4	Golo Wontong, North Lamba Leda	2021-2023	1,800,000,000

Source: Data processed by Researchers (2025) from Detik.com (2025), Tribunflores.com (2025), Antaranews.com (2025), Tipidkorpolti.info (2023), and Floresa.co (2024).

In addition to these major cases, various issues with Village Fund oversight also occurred at the village level, which served as the sample for this study in Satar Mese District. In Lolang Village, the management of Village Funds raised public questions regarding transparency and accountability in fund use (KlikSulsel, 2024). In Paka Village, the community requested that the Inspectorate and Corruption Crimes Unit of the Manggarai Police audit the Village-Owned Enterprise (BUMDes) funds due to alleged mismanagement (Floresku, 2024). Allegations of misuse of housing assistance funds by the Village Head of Umung also surfaced (Floresca.co, 2015). Furthermore, the case of the use of building debris in a Rp 22 billion project in Manggarai highlighted weak oversight at the implementation level, with the implementing agency claiming it was the work of rogue subcontractors (Floresca.co, 2023).

To ensure transparent, accountable, and participatory management of Village Funds, the government has implemented a tiered oversight system from the village to the national level. At the village level, the Village Consultative Body (BPD) acts as an internal supervisor, tasked with overseeing the implementation of village regulations, including village financial management (Kurniawan, 2019). Village heads are required to submit periodic reports on the realization of Village Fund use to the Regent/Mayor, which are then monitored by the district government, the Regional Inspectorate (APIP), and the sub-district. External oversight is carried out by the Supreme Audit Agency (BPK) through the Siskeudes application and by law enforcement agencies (APH) such as the Prosecutor's Office and the Police.

However, this structurally designed oversight system is not yet fully effective. Field findings still indicate gaps that can be exploited for irregularities. This is reinforced by research by Poeh et al. (2024), which highlights the role of the Village Fund Management Apparatus (APIP) in preventing fraud and misuse of Village Funds in NTT. The study found that limited human resources, weak coordination between supervisory institutions, and low community participation are the main factors contributing to the suboptimal oversight of Village Funds. Misuse of Village Funds not only results in state financial losses but also has broad implications for the sustainability of village development. Misdirected or even fictitious projects prevent village communities from receiving optimal benefits from Village Funds. Furthermore, weak oversight opens up opportunities for corruption, collusion, and nepotism at the village level, ultimately reducing public trust in village government.

According to 2022 data from Indonesia Corruption Watch (ICW), Village Fund corruption cases ranked second after the infrastructure sector, with 601 suspects and total state losses of Rp 233 billion between 2021 and 2022. This indicates that Village Funds remain a fertile ground for irresponsible individuals, necessitating serious efforts to strengthen oversight systems.

Various efforts have been made to improve the oversight system, such as the implementation of the Siskeudes (Village Finance System) application, strengthening the role of the Village Consultative Body (BPD), and signing an MoU between the Ministry of Home Affairs, the Prosecutor's Office, and the Police regarding the handling of Village Fund corruption. However, cases of irregularities continue to occur, indicating gaps or vulnerabilities in the oversight chain that have not been identified and fully addressed. Previous studies also reinforce the importance of examining the Village Fund oversight system. Kurniawan (2019) emphasized that transparency and accountability in Village Fund management can increase public trust and participation, thereby reducing the potential for irregularities. Meanwhile, Yuliani (2020) emphasized that the application of good governance principles, such as

transparency, accountability, participation, and law enforcement, can minimize the risk of Village Fund misappropriation.

However, research by Sari and Nugoro (2022) found that the main obstacles to Village Fund oversight are limited human resource capacity, insufficient budget, and a lack of community involvement in the oversight process. Sari and Nugroho (2022) also emphasized that coordination between the Regional Inspectorate and other supervisory agencies still needs to be improved to optimize the oversight function. Similar findings were also revealed by Pratama (2020), who highlighted the existence of moral hazard due to the imbalance of information between the village government as agent and the community as principal, as explained in *Agency Theory*.

Based on the above explanation, it can be concluded that the Village Fund is a strategic program crucial for the development and welfare of rural communities. However, misappropriation of Village Funds still frequently occurs due to a suboptimal oversight system. This research is crucial for in-depth identification of potential irregularities in the Village Fund oversight chain in Manggarai Regency, East Nusa Tenggara Province.

Methods

The qualitative approach used in this study was descriptive in nature and a case study design was adopted to look at the supervision chain of the Village Fund management in Manggarai Regency. The rationale behind the choice of this approach was that the research aimed at getting an in depth insight into how supervision was applied in practice, what limitations were realized at various levels of control, and where breaks could be realized throughout the supervision process. The case study design was deemed suitable since the study involved narrow village settings and was to be able to capture the complexity of supervision practices as they were experienced in actual situations.

The study took place in the Manggarai Regency, East Nusa Tenggara Province in the Satar Mese District. According to the Central Statistics Agency of Manggarai Regency, there are 32 villages in this district. Based on these villages, four purposely chosen villages were identified, i.e., Paka Village, Papang Village, Lolang Village, and Umang Village. They were selected according to their relevance to the research focus, specifically, the existence of any public scrutiny, audit requests, administrative issues, or any signs of issues in the supervision of Village Funds as reported by initial field data, community reports, and media coverage. These villages were thus deemed to have good empirical information to help in detection of gaps in the Village Fund supervision chain.

The informants were purposively identified based on their personal interest and experience on Village Fund management and control. They were village heads, village officials, Village Consultative Body members, sub district authorities, government internal supervisory actors, village facilitators, community leaders, and residents who were involved in or impacted by Village Fund implementation. These informants enabled the study to include both formal supervisory institution and community based overseers perspectives.

The data collection involved: in depth interviews, observation and documentation. The primary method was in depth interviews that had to delve into the experiences, perceptions, and explanations of informants on the implementation of supervision, administrative practices, and possible weaknesses in the control chain. The actual state of village governance practice, disclosure of information to the people and the execution of development activities in the field were observed to investigate the actual state of the practice. Relevant written documents such as reports, administrative records, village planning and budgeting documents, and other

supportive evidence of management and supervision of Village Fund, were reviewed on documentation.

The thematic analysis data analysis tool was applied in analyzing data through interactive process comprising of reduction of data, data display and drawing of conclusions. All data of the interviews, observation and documentation were arranged, categorized and analyzed to find common patterns associated with procedural, participatory, and administrative flaws in the chain of supervision. This analysis was done continuously during the research process in such a way that findings of one village could be compared with findings of other villages to develop a more detailed interpretation of supervision problems in the study area.

Results and Discussion

Village Fund Supervision in Paka Village

Implementation of the Village Fund Monitoring System

The implementation of the Village Fund monitoring system in Paka Village has essentially followed the mechanisms set by the government, both internally and externally. An interview with the Paka Village Head revealed that the Manggarai Regency Inspectorate had conducted audits from 2018 to 2023, including on the management of Village-Owned Enterprises (BUMDes). However, the 2024 audit had not yet been conducted. The village head explained that the audit process was conducted annually during his first term, although obstacles often encountered in the form of incomplete administrative documents. He stated that oversight by the Village Consultative Body (BPD), the sub-district head, and the Inspectorate was procedurally sound, but its effectiveness was still hampered by limited resources and audit time, which could not cover all aspects of activity implementation.

Field observations indicate that internal oversight conducted by the village government and the Village Consultative Body (BPD) demonstrates efforts to uphold the principle of accountability. The village government routinely compiles accountability reports on the use of Village Funds and publishes them on information boards in the village office. Furthermore, village officials have utilized deliberation forums as a means of submitting activity reports and discussing future development plans. However, despite these mechanisms being in place, oversight remains heavily reliant on the village head's initiative, rather than on an institutionalized system.

In general, oversight in Paka Village is quite good at the formal and administrative levels, but not yet fully effective in its implementation on the ground. Limited human resources, limited time for inspections, and the lack of in-depth audits of all activities mean that some aspects of fund use are not fully monitored. However, the village government's awareness of the importance of accountability and public transparency has begun to increase, as evidenced by open reporting to the community and support from the Village Consultative Body (BPD) for all important village activities.

Weak Points in the Chain of Custody

The research findings indicate that gaps in Village Fund oversight in Paka Village arise from two main aspects: participatory and administrative. In terms of community participation, interviews revealed that community involvement in the Village Fund planning and oversight process remains relatively low. Community leaders reported that invitations to attend RKPDes and APBDes meetings were often distributed only one day before the event, resulting in many residents and BPD members being unable to attend due to their busy farming schedules. Consequently, the village deliberation process was unrepresentative, with only about a quarter of the 50 people invited attending. In some cases, the village proceeded with meetings even

though the number of participants did not meet the minimum attendance requirement, citing time constraints and the demands of submitting program proposals to the sub-district and Bappeda levels. This situation indicates a gap in participation, where the community is not optimally involved in the planning and oversight process.

Furthermore, from an administrative perspective, it was found that supervision in Paka Village still places more emphasis on document completeness than on physical verification in the field. Although village accountability reports have been prepared according to the format and submitted on time, field practice shows that some archived documents do not fully reflect the actual situation. Based on field research, meeting attendance lists are often manipulated; several BPD members were absent from meetings, but were recorded as present in the minutes.

This situation indicates that administrative oversight remains largely formal and is not fully oriented towards data validity and reporting honesty. Therefore, stricter enforcement of administrative discipline is needed, as well as cross-oversight between the Village Consultative Body (BPD), village officials, and sub-district officials to ensure that all reported documents align with the facts on the ground. This indicates an administrative gap that could impact transparency and accountability in village governance. However, according to community reports, the BPD continues to strive to be present in physical oversight activities such as road construction, demonstrating institutional awareness of the importance of social control at the village level. Overall, the oversight system in Paka Village has been operating according to regulations, but its effectiveness still needs to be improved through strengthened administration, participatory scheduling, and increased transparency in every stage of the Village Fund program planning and implementation.

The impact of potential deviations in the chain of custody

The potential for deviations in the chain of custody that occurred in Paka Village has several impacts on the effectiveness of Village Fund management. The first impact is seen in the decline in community participation and trust in the village government. Residents feel less involved in planning and oversight, leading to the perception that the use of Village Funds is not fully transparent. This results in a low sense of ownership of development outcomes, such as roads and public facilities, because the community does not feel involved in the process. In the long term, this situation can reduce residents' motivation to participate in overseeing village activities.

The second impact arises in the administrative and accountability aspects. The lack of proper documentation often hampers the audit process due to incomplete physical evidence. In some cases, activity reports cannot be fully verified by auditors due to the lack of adequate supporting documentation. This slows down the process of preparing final reports and hinders the delivery of results to sub-district or district authorities. As a result, the effectiveness of external oversight is limited because administrative data is inconsistent with conditions on the ground.

The third impact is the general decline in the quality of village governance. With a suboptimal oversight system, the potential for administrative errors and moral hazard remains, albeit on a small scale. Communities and village institutions miss out on opportunities to utilize oversight as a means of collective learning and evaluation. Therefore, improvements to the oversight system in Paka Village need to be directed at increasing administrative capacity, broader community involvement, and more intensive cross-agency oversight to ensure truly accountable and transparent management of Village Funds.

Village Fund Supervision in Papang Village

Implementation of the Village Fund Monitoring System

The management and oversight of Village Funds in Papang Village has generally been well-run, both in terms of administration and reporting. Interviews with the village treasurer revealed that financial management is conducted periodically through semester and annual reports submitted to the sub-district government. The treasurer explained that the administrative system in Papang Village has been operating accountably and transparently for the past five years. However, several obstacles remain in the administrative process, such as late reporting and data discrepancies due to the heavy workload. Some financial documents are even stored at the treasurer's home for security reasons, but this is considered to hinder access for other village officials when needed. The village secretary emphasized that all documents should be stored at the village office to maintain administrative order and facilitate coordination between village officials.

Interviews with residents and community leaders revealed that village transparency began to be felt from 2019 to 2023. One community leader, Limba, stated that the community only began to see tangible results from the Village Fund through the construction of a footpath in 2025. However, the community believes that the Village Consultative Body (BPD)'s role in project oversight is still very minimal. The BPD is perceived as only carrying out formal functions without direct involvement in the field, and is not even present during the physical project construction process. This has given rise to the perception that internal oversight has not been carried out effectively. The community hopes that the BPD will be more active and responsible in its oversight function in the future, so that program implementation can be more open and involve residents.

Furthermore, disagreements were also found among village officials regarding the alignment between the Budget Plan (RAB) and actual implementation. The village secretary acknowledged that in 2022, discrepancies were found in the financial reports related to restaurant taxes, where the amount of funds used did not align with the prepared RAB. However, this finding was resolved following direction from the Inspectorate.

Weak Points in the Chain of Custody

The main potential for irregularities in the Village Fund oversight chain in Papang Village lies in the participatory and internal aspects. Based on interviews, the Village Consultative Body (BPD), which should be the internal oversight body, has not been functioning optimally. BPD oversight activities generally consist of document review and do not involve direct field verification. For some physical activities, such as road and bridge construction, the BPD only receives written reports without directly observing the work. This situation makes it difficult to identify potential technical errors or discrepancies in work quality from the outset.

Furthermore, public participation in oversight activities remains low. Invitations to meetings or deliberations often do not reach all residents, resulting in decision-making being limited to select representatives. The lack of public awareness of oversight mechanisms means the public is unaware of their crucial role in overseeing the use of public funds. This opens up the possibility of minor irregularities or misuse of funds that do not align with community priorities.

From an administrative perspective, there are still weaknesses in document storage and activity evidence. Several important documents, such as cash reports, budget estimates (RAB), and lists of aid recipients, are not stored in one place; instead, they are held separately by the treasurer and secretary. This situation complicates external audits and poses a risk of document loss.

Therefore, although Papang Village has a formal oversight system in place, weak social control and archive management pose a vulnerability in the Village Fund chain of custody.

The impact of potential deviations in the chain of custody

The potential for irregularities in Papang Village impacts the effectiveness of Village Fund governance. The first impact is a decrease in the efficiency of program implementation due to a lack of coordination between village officials and the Village Consultative Body (BPD). When oversight is not actively implemented, evaluation of work results is delayed, and potential technical errors are only discovered after the project is completed. This can lead to budget wastage because repairs must be made after the project is completed.

The second impact is seen in the declining level of public accountability. Communities lacking oversight have limited knowledge about village financial management, easily fostering negative perceptions or distrust of the village government. This lack of social control results in village governments experiencing less moral pressure to maintain transparency. In the long term, this can weaken the relationship between the community and the village government, which contributes to building an open government system.

The third impact is the risk of administrative errors in reporting. Because the internal oversight system is not yet robust, financial recording errors and discrepancies between reports and activity evidence often go undetected early. Even if these errors are not material, the accumulation of small errors can undermine the credibility of village reports. Therefore, Papang Village needs to strengthen the BPD's oversight function, increase community involvement, and improve the documentation system to ensure more transparent and accountable Village Fund governance.

Village Fund Supervision in Umung Village

Implementation of the Village Fund Monitoring System

Based on interviews with the Umung Village Head, Village Fund oversight has been carried out optimally through transparency, administrative aspects, and implementation of activities based on applicable regulations. The village government strives to maintain information transparency by installing Village Revenue and Expenditure Budget (APBDes) billboards in public places and disseminating financial information through the village WhatsApp group. However, the village head stated that during his term of office from 2022 to 2024, there had been no audit by the Manggarai Regency Inspectorate, likely due to limited personnel within the institution. Based on confirmation with the Inspectorate, regular village audits are conducted once every two years, so Umung Village was not included in the audit schedule during that period.

Weak Points in the Chain of Custody

The potential for irregularities in Umung Village primarily lies in the participatory and external aspects. From a participatory perspective, although the village government has opened access to public information, the level of community involvement in deliberations remains limited. Only a small portion of the community actively attends meetings, usually traditional leaders and neighborhood heads, while women's and youth groups are rarely involved. This results in decisions made in the forum not fully representing the interests of all levels of society.

Interviews with community leaders indicate that community involvement in oversight remains uneven. One community leader stated that he had not received a meeting invitation in the past five years, although he assessed the level of transparency of the village government as quite good due to the publication of the Village Budget (APBDes). In terms of internal oversight,

the Village Consultative Body (BPD) was deemed to have carried out its duties quite well. The BPD, along with the village head, officials, neighborhood associations (RT/RW), and village facilitators, directly inspected every project being implemented, including the distribution of social assistance and the subsidized rice program. Based on field observations, oversight activities were carried out with the active participation of village officials and related institutions, ensuring that program implementation proceeded orderly and on target.

Furthermore, interviews with the treasurer and village facilitators confirmed that the monitoring system in Umung Village has been consistently implemented from 2019 to 2024. Village officials strive to be present in every development activity and aid distribution to ensure that implementation follows procedures and reaches the right targets. Based on researchers' observations and village letter archives, the distribution of government aid to the community has been carried out evenly and in accordance with regulations. However, although transparency and coordination between village officials are good, there are still shortcomings in the participatory aspect, as not all community leaders are routinely invited to village meetings. One of the community's hopes is that in the future, all community leaders will be invited to actively participate in every planning and evaluation activity to make the Village Fund monitoring process more open and inclusive.

Externally, the absence of Inspectorate audits in the past two years represents a significant gap in the chain of control. Audits play a crucial role in assessing administrative compliance and the effectiveness of program implementation. The absence of routine audits has the potential to undermine control over administrative errors and delay follow-up on recommendations from the previous year. Although the village government maintains disciplined reporting, the lack of effective external oversight reduces the early detection of potential irregularities.

The impact of potential deviations

The potential for irregularities in Umung Village has both short-term and long-term impacts on the effectiveness of village governance. The first impact is limited community feedback on village policies. Because only a portion of residents actively participate, evaluations of development programs do not reflect the assessments of the entire community. This can lead to misprioritization of programs and a decline in the quality of development outcomes.

The second impact is the reduced effectiveness of external audits. The absence of inspections by the Inspectorate results in the potential for minor errors to go uncorrected. In the context of governance, this situation creates administrative risks such as late reporting, minor accounting errors, or lack of documented evidence of activities. Even if no major irregularities are found, the lack of ongoing external oversight can undermine accountability in the long term.

The third impact arises from the consistent application of the principles of transparency and participation. When community involvement is uneven, information transparency becomes one-way. The public is aware of the use of funds but does not actively provide input. Therefore, Umung Village needs to strengthen community participation and schedule regular audits with the Inspectorate to make the Village Fund monitoring system more effective, comprehensive, and sustainable.

Village Fund Supervision in Lolang Village

Implementation of the Village Fund Monitoring System

The Village Fund monitoring system in Lolang Village is still being strengthened, as the village is a newly formed village. The village government has attempted to implement a reporting mechanism through the Siskeudes (Village Finance System) application and compile annual activity realization reports. However, limited human resources and technical capabilities often

result in late reporting. The Village Consultative Body (BPD) and village facilitators also conduct oversight, but coordination is not yet optimal. Audits by the Manggarai Regency Inspectorate are conducted irregularly, only periodically.

Based on an interview with the Head of Lolang Village, Village Fund monitoring has been carried out in accordance with government-mandated procedures. Supervision is carried out in stages by the village government, the Village Consultative Body (BPD), village facilitators, the sub-district head, and the Manggarai Regency Inspectorate. The village head stated that budget realization reports are prepared annually and submitted to the sub-district and district governments as a form of administrative accountability. However, audits by the Inspectorate are not conducted annually, resulting in some development activities not always receiving direct external verification. The village head also acknowledged that delays in reporting and document completeness are frequent technical obstacles, primarily due to limited human resources and high administrative burdens at the village level.

Weak Points in the Chain of Custody

The potential for irregularities in Lolang Village primarily arises in procedural and participatory aspects. From a procedural perspective, limited staff capacity means that many activities lack complete supporting reports. For example, road and water supply construction projects do not always have handover reports or complete photographic documentation. As a result, verifying physical results during audits is difficult. This demonstrates the need for strengthening administrative mechanisms to ensure transparency.

In terms of participation, the community has not been optimally involved in the oversight process. Based on interviews, community attendance at village meetings averages only 40–50%, often with only a select group of individuals representing them. This low participation is due to a lack of public awareness and understanding of the community's role in overseeing the use of Village Funds. Consequently, the social control function, which should be the primary bulwark of public oversight, has not been functioning optimally.

Furthermore, the BPD's role in oversight remains limited. BPD members rarely directly monitor activities in the field and rely more heavily on reports from the village government. This situation creates the potential for discrepancies between reports and actual conditions on the ground. Thus, oversight gaps in Lolang Village stem from weak administrative mechanisms, low public participation, and suboptimal internal oversight functions.

The impact of potential deviations

The potential for irregularities in Lolang Village directly impacts the effectiveness of Village Fund governance. The first impact is a decline in administrative accountability, where activity reports often cannot be verified due to incomplete supporting evidence. This slows the audit process and hinders subsequent disbursement because verification cannot be completed in a timely manner. In the long term, this situation could erode the supervisory agency's trust in the village administration's performance.

The second impact is a decline in community participation in development. When people don't feel involved, they become less concerned about the results of development activities. This is evident in the low enthusiasm of residents for participating in accountability meetings and post-development mutual cooperation activities. Low public involvement also results in weakened social oversight, so potential errors in program implementation are not immediately detected.

The third impact affected the efficiency of physical activity implementation. Delays in reporting and weak verification resulted in construction results not always meeting the initial plan. Some activities had to be revised due to technical errors that were only discovered after

completion. Thus, the weak oversight in Lolang Village not only had administrative implications but also impacted the effectiveness and quality of development outcomes using Village Funds.

Research in Paka Village shows that Village Fund supervision has been carried out according to formal procedures, but has not been substantively effective. Based on *Agency Theory*, the relationship between the village government as agent and the community as principal remains unequal. The village government is more dominant in managing information and decisions on Village Fund use, while the Village Consultative Body (BPD) has not yet carried out its role as an active supervisor. This imbalance causes *information asymmetry*, where the community is not fully aware of the actual conditions of program implementation. This is in accordance with the view of Ananda and Wijaya (2023) who stated that the ineffectiveness of the BPD function is often caused by a lack of understanding of its role as a social control institution and weak administrative capacity.

From the perspective of *the Fraud Triangle Theory*, the weak role of the Village Consultative Body (BPD) in Paka Village creates opportunities for administrative errors in the management of Village Funds. When internal oversight is not optimal, village officials have ample room to commit negligence or act improperly without detection. Even if no indications of major irregularities are found, this weakness in the control system increases the risk of mismanagement. This aligns with research by Atmaja, Khair, and Koynja (2022), which confirms that weak verification by the BPD of activity realization reports opens up opportunities for *moral hazard*.

From the perspective of *Good Governance Theory*, weak BPD oversight has resulted in a decline in transparency and public accountability. Information transparency has been implemented through bulletin boards, but public participation in monitoring activities remains low. The village government has not yet facilitated an open public evaluation forum. According to Nizam, Rafa, and Karpriana (2024), transparency without participation cannot achieve comprehensive public accountability.

Based on observations and interviews, no indications of material irregularities were found, but there was potential for administrative irregularities in the form of manipulation of meeting attendance lists and discrepancies between activity documentation data and field conditions. This indicates that oversight weaknesses are systemic rather than individual, and if not promptly addressed, could develop into more serious forms of irregularity. This potential arises from weak cross-over controls between village officials and the Village Consultative Body (BPD), as well as a lack of ongoing external audits.

In Papang Village, Village Fund oversight tends to be administrative in nature and lacks field verification. Based on Agency Theory, this indicates a lack of control within the principal-agent relationship. The village government plays a larger role in planning and reporting, while the Village Consultative Body (BPD) merely receives reports without verifying their alignment with real-world conditions. This information gap creates the impression that oversight is merely symbolic. This finding aligns with research by Oktavianus Wara Koten, Saryono, and Tupen (2022), which found that most BPDs in the NTT region have not implemented substantive oversight due to limited technical capabilities and funding.

From the perspective of *the Fraud Triangle Theory*, weak BPD oversight creates opportunities for village officials to commit administrative errors or manipulate activity data. When activity reports are not verified in the field, the potential for discrepancies between documents and reality becomes significant. This situation is exacerbated by pressure on officials to complete reports quickly, as well as the rationalization that "the important thing is to complete the

activity." This aligns with the findings of Arifudin et al. (2022), who found that weak social control within the BPD increases the risk of unintentional administrative irregularities.

In the context of *Good Governance Theory*, the weak function of the Village Consultative Body (BPD) hinders the implementation of the principles of transparency, participation, and accountability. Although Village Fund reports have been made public, the information is difficult to understand because it is presented in a technical format. The lack of outreach also leads to public disregard for the evaluation process. Nurisna, Sahade, and Anwar (2023) emphasize that *good governance* can only be achieved if the public is given clear access to information and the opportunity to actively participate in oversight.

The Papang Village Government needs to strengthen coordination between the Village Consultative Body (BPD) and the community by establishing an integrated monitoring team. The BPD should actively conduct field visits to verify activities and prepare quarterly evaluation reports. The district government is also advised to provide regular training for BPD members to understand basic audit techniques and prepare monitoring reports.

The research results indicate the potential for internal irregularities stemming from minimal field verification by the Village Consultative Body (BPD) and weak coordination between village officials. While these irregularities have not yet occurred, the administrative work pattern, which relies on a single party, opens up the possibility of errors in recording or reporting that does not reflect the facts on the ground. This situation indicates that a formal but non-substantive oversight system has the potential to undermine public accountability.

Umung Village has a better transparency system than other villages, but the BPD's role in oversight is still suboptimal. Based on *Agency Theory*, the village government, as *an agent*, has demonstrated information transparency to the community, but the BPD has not fully implemented its oversight function. The BPD rarely conducts field verification, and external audits by the Inspectorate are not routinely conducted. This results in a *principal-agent relationship* that is not fully accountable. Research by Ananda and Wijaya (2023) also shows that transparency without substantive oversight is insufficient to ensure the integrity of village financial management.

In the context of *the Fraud Triangle Theory*, the weak function of the Village Consultative Body (BPD) creates opportunities for administrative errors. Although no indication of intentional irregularities is found, the absence of external audits creates the risk of rationalization among officials that information transparency alone is sufficient. According to Nurisna et al. (2023), this can reduce the effectiveness of the oversight system because the public lacks independent verification of village government reports.

good governance perspective, Umung Village has implemented transparency principles effectively, but community participation remains limited. The annual deliberation forum has not yet involved all social groups. Consequently, the principle of accountability has not been fully achieved. According to Nizam et al. (2024), community involvement in social audits can strengthen public trust and improve the quality of Village Fund oversight.

Findings in Umung Village indicate that despite public transparency through the publication of the Village Budget (APBDes), the absence of Inspectorate audits in the past two years has created the potential for procedural irregularities. The lack of external oversight reduces the control function and early detection of administrative errors. Therefore, a monitoring system that relies solely on internal trust can weaken the prevention of Village Fund misappropriation.

The Umung Village Government needs to conduct an annual participatory social audit, involving the community, academics, and external parties such as the Inspectorate. The Village

Consultative Body (BPD) also needs to strengthen coordination with village officials and ensure that monitoring reports are published openly. Furthermore, a consultative forum should be established to accommodate community criticism and input on Village Fund management.

As a newly established village, Lolang Village faces institutional limitations in overseeing Village Funds. Based on *Agency Theory*, the relationship between *the agent* (village government) and *the principal* (community) is unbalanced because the Village Consultative Body (BPD) remains weak in structure and capacity. BPD members do not fully understand the mechanisms for financial oversight and activity reporting, resulting in suboptimal oversight. This finding is supported by research by Sumarni (2022), which explains that in new villages, weak BPD capacity is a major obstacle to implementing a village government accountability system.

From the perspective of *the Fraud Triangle Theory*, these conditions create opportunities for errors or administrative irregularities. The lack of field supervision often results in activity reports lacking adequate physical evidence. This lack of oversight can create a moral *hazard risk*, as village governments are not directly supervised. These results are consistent with research by Atmaja et al. (2022), which emphasized that weak BPD control during the implementation phase results in financial data not aligning with actual conditions on the ground.

Within the framework of *Good Governance*, low community participation and suboptimal involvement of the Village Consultative Body (BPD) result in the failure to achieve public accountability. Activity information has not been widely disseminated, and reporting is only submitted to internal parties. According to Nizam et al. (2024), community participation and information transparency are two key pillars that must work together for an effective village oversight system.

In Lolang Village, potential irregularities arise from late reporting, minimal documentation, and low community attendance at village meetings. These gaps can be categorized as potential participatory and administrative irregularities, where weak documentation and community oversight create room for data discrepancies or inefficient use of funds. If this situation is allowed to continue, the risk of moral hazard at the implementation level will increase.

The Lolang Village Government needs to strengthen the capacity of the Village Consultative Body (BPD) by involving members in training on Village Fund management and activity oversight. Furthermore, an independent monitoring team consisting of community representatives should be formed to support the implementation of oversight functions in the field. The District Inspectorate is also recommended to provide regular technical assistance to the BPD.

Based on research findings in four villages, it can be concluded that potential irregularities in the Village Fund chain of custody arise not solely from fraudulent intent, but rather from a weak, suboptimal oversight system. Limited apparatus capacity, low public financial literacy, and the lack of routine external audits create opportunities *within the Fraud Triangle Theory*.

From an *Agency Theory perspective*, the information gap between the village government (agent) and the community/district government (principal) exacerbates moral hazard because social and formal controls are ineffective. Meanwhile, when viewed through *the Good Governance Framework*, the lack of meaningful participation and transparency hinders the implementation of public accountability.

Theoretically, this potential for misappropriation illustrates the existence of a "grey zone" in Village Fund oversight, where management activities appear to comply with administrative

regulations, but harbor the risk of behavioral misconduct due to weak substantive oversight. Therefore, early detection of potential misappropriation is crucial to prevent misuse of Village Funds through risk-based oversight strategies, increased ethical capacity of officials, and active community involvement in social oversight .

Conclusion

Based on the results of research on the Analysis of Potential Deviations in the Village Fund Supervision Chain in Manggarai Regency, East Nusa Tenggara Province , several things can be concluded, namely the implementation of the Village Fund supervision system in Manggarai Regency has not been running optimally. Potential deviations in the supervision chain appear in three main aspects, namely procedural, participatory, and administrative. This condition creates opportunities for administrative errors and moral hazard behavior, as explained in the Fraud Triangle Theory and Agency Theory . Potential deviations have an impact on decreasing accountability and public trust. The application of the principles of Good Governance and strengthening the supervisory system are the keys to preventing potential deviations, namely transparency, participation, and accountability must be integrated in every stage of Village Fund management.

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