

CHAPTER I

INTRODUCTION

A. Research Background

The transformation of governance in Indonesia has become decentralized after the enactment of UU No. 22 of 1999 and UU No. 25 of 1999, which has now been replaced by UU No. 32 of 2004 and UU No. 33 of 2004. Decentralization according to UU No. 32 of 2004 is the transfer of governmental authority of government to autonomous regions to regulate and administer government affairs within the NKRI system. In this case, the regional government is given the authority to implement regional autonomy in the term of conducting the local government affairs that are efficient, effective and responsible without interference from the central government.

The definition of village according to UU No. 6 of 2014 is a legal community unit with territorial borders authorized to regulate and administer government affairs, the interests of local communities based on community initiatives, original rights, and/or traditional rights that are recognized and respected in the system of government of the Unitary Republic of Indonesia. According to UU No. 6 of 2014 article 1 paragraph 3 which defines village government as a *kepala desa* (village government officials who have the authority, duties, and obligations to run the village household and carry out the tasks of the central government and regional government) who is carrying out his duties is assisted by the village apparatus/officials as an element of village operator. *Kepala desa* has an authority whose rights and obligations

are regulated in UU No. 6 of 2014 article 26. The task of *kepala desa* is to operate the village government, carry out village development, foster village community development, and empower the village community. In carrying out their duties as written in UU No. 6 of 2014 article 26 paragraph 4 point f, *kepala desa* is obliged to carry out the principles of village governance that are accountable, transparent, professional, effective and efficient, clean, and free from collusion, corruption, and nepotism.

Kepala desa is democratically elected by the community, so the village apparatus must deliver everything that they have done and also must be able to be responsible for what they have done. This corresponds to Q.S. Al-Mudassir verse 38:

كُلُّ نَفْسٍ بِمَا كَسَبَتْ رَهِيْنَةٌۭ

“Every soul is responsible for its own actions” (Q.S. Al-Mudassir : 38).

Then it is strengthened with Q.S An Nisa' verse 58:

۞ إِنَّ اللَّهَ يَأْمُرُكُمْ أَنْ تُؤَدُّوا الْأَمَانَاتِ إِلَىٰ أَهْلِهَا وَإِذَا حَكَمْتُمْ بَيْنَ النَّاسِ

أَنْ تَحْكُمُوا بِالْعَدْلِ إِنَّ اللَّهَ نِعِمَّا يَعِظُكُمْ بِهِ إِنَّ اللَّهَ كَانَ سَمِيعًا

بَصِيرًا

“Surely Allah commands you to make over trusts to their owners and that when you judge between people you judge with justice; surely Allah admonishes you with what is excellent; surely Allah is Seeing, Hearing.” (Q.S. An Nisa' : 58).

The meaning of the verse above is that human has an obligation to take responsibility for all the actions they have done and carried out the mandate.

In this case, Allah as the trustee and human is responsible for what all that they have done. Verily, Allah is all-seeing, whoever disobeys the rules will receive a punishment in return. Therefore, *kepala desa* and village apparatus must implement transparency and accountability in managing village finances to avoid the illegal acts that are not in accordance with the law.

Transparency according to Mardiasmo (2006) is the openness of the government in providing the information related to public resource management activities to those who need the information. Transparency is very important and must be done by the public institutions or the institutions that have an interest in the community. This needs to be done as a form of initial supervision of every action that has been taken or will be taken within the institution.

The transparency of village financial management can be seen from the delivered information about the use of village funds by the village apparatus without covered anything. In this case, the village community can supervise the use of village funds from the village website or banner provided in the *Kepala desa*'s office. It's in line with the regulations in Permendagri No. 113 of 2014 paragraphs 1 and 2 that state about the realization report and accountability report on the implementation of the *APBDesa* must be informed to the public in writing and also using information media that are easily accessed by the community including billboard, radio, and other media such as village websites. However, there are some villages that do not submit the village financial statement on their website like the case in Pematang

district. The village government has been encouraged by the Pemalang regent to have a website that informs the use of village funds. However, based on graphic data info submitted by Pemalang district, not all villages currently use a socialization system for the use of village funds listed on each village website. Thus, it interrupts the implementation of transparency in terms of the accessibility of using village funds. Meanwhile, for some villages that already have a website, they still have not included information about the use of village funds. Maybe this happened because of the lack of knowledge about village financial management in utilizing information technology to inform the use of village funds. Therefore, based on data in graphical information in Pemalang district, not all villages are transparent in terms of financial management whether it is using website media or banners/billboards in front of the village head's office.

Accountability according to Mardiasmo (2006) is the obligation of the holder of the mandate (agent) to provide responsibility, present, report, and disclose all activities and activities of responsibility to the party that gives the mandate (principal) who has the rights and asks for accountability. Accountability of the village financial management is a form of the *kepala desa* and village apparatus responsibilities to responsible for the village financial management in order to achieve the institutions goals. Thus, the accountability of village financial management is needed so that the village government runs well.

Accountability village government is a benchmark of the government's ability to carry out its responsibilities in development activities related to financial issues that have been prepared in the village budget (*APBDesa*) and village fund allocation. Permendagri No. 113 of 2014 Article 41 states that the realization report and the accountability report on the implementation of the *APBDesa* must be submitted to the regent/mayor through *Camat* (sub-district leaders as district or city regional apparatus) or other designations. The report must be submitted no later than one month after the end of the fiscal year. However, from the graphical information of Pematang district, it can be seen that there are several villages which are late in reporting and accountability of village funds due to negligence of village apparatus and the activity management team. As stated in the *Tribun Jateng News*, the villages of Jraganan village, Bodeh subdistrict, Pematang district were late in reporting the accountability of the village fund budget. Then, the results of the work with the report were very different so that the village community who knew the problem were doing a protest. This can interrupt the running of village government accountability.

Obligations for accountability and transparency of financial management are inseparable from managers' quality. According to previous research by Setyowati (2017), human resources have a positive effect on the implementation of financial reporting transparency. Then another research by Jannah et al. (2018) states that the human resources have a significant and positive effect on the transparency and accountability of village financial

management. Based on the previous research, it can be concluded that the human resources are the important thing for the quality of financial management. This means that the managers of financial statement must understand the Government Accounting Standard to make a good quality of financial statements. The more competent the financial managers apparatus are, the better quality financial statement will be produced. Financial managers who obey the entire content of Government Accounting Standard can be said that the possibility of managers making a misappropriation is small (Layli, 2019).

In this modern era, technology is also an important thing in creating transparent and accountable financial management. Technology can be used as a tool to deliver information to the public about programs or performance results that have been achieved. Previous research of Aulia (2018) and Layli (2019) stated that the use of information technology affects the accountability and transparency of the village financial management. This means that the better the utilization of information technology in the process of managing village funds, the better the accountability of village financial management. If the utilization of information technology is good, it can help the transparency and accountability of village financial management.

The existence of internal control also plays an important role in creating a good village financial management. Internal Control System according to PP No. 60 of 2008 is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate

confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, securing state assets, and obedience to laws. An internal control that can be implemented properly by the village government is expected to be able to produce transparency and accountability of financial management. This is in line with previous research by Sari (2017) who states that the internal control affects the transparency and accountability of regional financial management. This means that if the internal control is carried out properly by the regional government, it will produce good quality financial reports and compliance with laws and regulations.

Based on the problems and background described earlier, the researcher is interested in research on *“The Effect of Human Resources Competency, Utilization of Information Technology, and Internal Control Existence Towards the Transparency and Accountability of Village Financial Management”*. This research will be conducted in villages that are located in Pemalang regency, Central Java. This research is a compilation from previous research by Jannah et al (2018) which examine the influence of human resources, use of information technology and public participation to the transparency and accountability of village financial management and research by Layli (2019) which examines the relation of human resources and the use of information technology towards the transparency and accountability of financial management. The difference with the previous research is the researcher adds a new independent variable which is the internal control

existence and also the study population that was conducted in different regency.

B. Research Questions

Based on the research background described earlier, the research questions in this study are as follows:

1. Do the human resources competency has a positive effect towards the transparency of village financial management?
2. Does the utilization of information technology has a positive effect towards the transparency of village financial management?
3. Does internal control existence has a positive effect towards the transparency of village financial management?
4. Do the human resources competency has a positive effect towards the accountability of village financial management?
5. Does the utilization of information technology has a positive effect towards the accountability of village financial management?
6. Does internal control existence has a positive effect towards the accountability of village financial management?
7. Does transparency has a positive effect towards the accountability of village financial management?
8. Does the human resources competency, utilization of information technology, and internal control existence has a positive effect towards the accountability of village financial management with transparency as an intervening variable?

C. Research Objectives

Based on the research background and research questions, the objectives of this study are as follows:

1. To obtain empirical evidence about the effect of human resources competency towards the transparency of village financial management.
2. To obtain empirical evidence about the effect of the utilization of information technology towards the transparency of village financial management.
3. To obtain empirical evidence about the effect of internal control existence towards the transparency of village financial management.
4. To obtain empirical evidence about the effect of human resources competency towards the accountability of village financial management.
5. To obtain empirical evidence about effect of the utilization of information technology towards the accountability of village financial management.
6. To obtain empirical evidence about the effect of internal control existence towards the accountability of village financial management.
7. To obtain empirical evidence about the effect of transparency towards the accountability of village financial management.
8. To obtain empirical evidence about the effect of human resources competency, utilization of information technology, and internal control existence has a positive effect towards the accountability of village financial management with transparency as an intervening variable.

D. Research Benefits

Based on the research objectives that will be achieved, the research benefits are as follows:

1. Theoretical Benefits

This research is expected to be a reference for the next research related to the topic of this research. This research also can add insight and information related to the public sector accounting, public sector management accounting, and village financial management.

2. Practical Benefits

- a. It is hoped that this research for the author can add new knowledge and experience of factors related to the transparency and accountability of village financial management.
- b. It is hoped that his research can provide benefits to the village government in terms of improving the quality of human resources, increasing the use of information technology, and improving the quality of internal control to create transparent and accountable financial management. Another benefit is to improve the village financial management system and serve as an evaluation material so that the village government can be better to support the progress of the village.
- c. It is hoped that this research can provide benefits to universities in the form of helping development science, especially accounting science.

- d. It is hoped that this research can provide benefits to the community in the form of increased knowledge and insight into the quality of government performance and providing information on the accountability of village governments to the community.