

## Village Financial System Application for Financial Reporting Management Village in East Java Province

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**Abstract.** This article attempts to describe and assess the execution of Minister of Home Affairs Regulation (Permendagri) No. 113 of 2014 about Village Financial Management and Law No. 6 of 2014 concerning Villages. To manage village budgets following the principles of clean, transparent, accountable, and efficient management, the Financial and Development Supervisory Agency (BPKP) and the Directorate General of Village Government Development at the Ministry of Home Affairs are collaborating to develop the Village Financial System (Sistem Keuangan Desa - Siskeudes). It is hoped that by using this program, village fund financial reports can be finished promptly, precisely, and on schedule. A qualitative descriptive method is being employed for the research. The data was gathered through close observation with a BPKP employee representing the East Java province. According to the study's findings and recommendations, 30 of the 38 cities and regional units in East Java Province have employed the Siskeudes program to ensure the accuracy of the financial reports that arise from it. Despite management challenges, the Siskeudes application has proven more effective and can give highly accurate statistics.

**Keywords:** Village Financial System; Siskeudes App; Village Financial Report

### I. Introduction

A company uses various techniques to communicate its financial facts through financial reporting. Financial reporting's overarching goal is to inform those making decisions about allocating resources to achieve particular objectives about an entity's financial status, performance, and cash flow. The goal of financial reporting is not just the content of the financial report itself, according to SFAC No. 1, FASB (1980). Planning, carrying out, managing, reporting, and being accountable for the Village's funds are all part of village financial management. The village financial reporting prepared by the village authority is the last step in this procedure. The Village is the smallest unit of governance, as is common knowledge. As a result, village financial reporting uses an accrual method and adheres to government accounting standards.

As defined by Law No. 6 of 2014, a village is a territorially tied legal community unit with the power to control and administer governmental matters and the neighborhood's interests (Adillah et al., 2021). This Village may also go by another name and be a regular or traditional village. Villages establish community welfare based on local initiatives, original rights, and customary rights acknowledged and protected in the Indonesian government system's Unitary State of the Republic (Suyono & Prakoso, 2018). According to Article 1 of the law on villages, this law gives communities the authority to develop to enhance communal welfare. Villages must uphold key values, including accountability, involvement, conformity, and strict budget management when performing their jobs (Indrianti et al., 2020).

Research conducted by Faizah & Sari (2022) explained that Village Finance includes all village rights and obligations that have a monetary value, including all things related to money and goods related to village rights and obligations, following the Minister of Home Affairs Regulation (Permendagri) Number 113 of 2014, which contains how to manage village finances. Planning, budgeting, administration, reporting, accountability, and oversight of village funds are all part of village financial management (Norliani et al., 2020). The goal is for villages to have complete financial autonomy in terms of budget management and income management. According to studies done by Lukito & Lettu Suyitno (2020) They have clarified that these rules are outlined in a Circular with the number 145/8350/BPD that was published by the Director General of Village Government Development, Ministry of Home Affairs on November 27, 2015. The creation of an application-based village finance management system, also known as Sistem Keuangan Desa "Siskeudes," is one form of collaboration in question, according to the Director General of Village Government Development at the Ministry of Home Affairs. The Financial and Development Supervisory Agency (BPKP) first introduced this application under "SIMDA Desa."

Atintyasputri (2019) explained that Siskeudes is an application for a village financial system created by BPKP as a preliminary step in putting Law Number 6 of 2014 into effect. By submitting this application, BPKP is making a tangible effort to support village governments in their transparent execution of the village financial management cycle, which starts with planning and ends with reporting, accountability, and

monitoring. Siskeudes creates reports when necessary, saving time and money, lowering the risk of fraud and mistakes, and assisting data aggregation. (Rivan & Maksum, 2019). BPKP oversight strives to ensure that all rules and guidelines for putting the Village Law into effect, particularly those that deal with village finances, can be appropriately implemented by all levels of government.

The implementation of Siskeudes in several villages in East Java Province was only carried out in 2019. Research conducted by Gayatri & Latrini (2018) explained that the village authority had created financial reports manually before using the Siskeudes application. It was making financial reports manually is still deemed to be inefficient. The government felt aided by the Siskeudes program since it made financial reporting simpler and more efficient. An internet connection and sufficient computer hardware are needed to implement the Siskeudes application. Hargoro (2023), the application of Siskeudes has advantages and disadvantages. Based on research conducted by Maharani & Akbar (2020), one of the advantages of implementing the Siskeudes application is that it complies with applicable regulations, making village financial management easier. Apart from that, Siskeudes also makes it easy to use the application and is equipped with an integrated built-in internal control (Ilham & Lusiani, 2022). The application's instructions facilitate the use of this system. However, there are now several issues. One is how challenging it is to comprehend how to use the Siskeudes application. Additionally, there is a requirement for recurrent retraining due to the regular modifications to the equipment managing this system.

Instructions for utilizing the program support this system's usage. There are currently several issues, though. One is the Siskeudes application's use, which is tough to comprehend. Additionally, the apparatus controlling this system is subject to regular alterations, necessitating occasional retraining.

## **II. Literature Review**

### **Village Meaning**

Villages and traditional villages, referred to by other names by Law Number 5 of 1979, are legal community units with territorial boundaries that have the power to regulate and administer governmental affairs, the interests of local communities based on community initiatives, original rights, and recognized traditional rights and respected in the Indonesian governmental system.

### **Sources of Village Income**

There are seven sources of Village income, namely: Village Funds, Village Original Income (Pendapatan Asli Desa – PADesa), Village Fund Allocation (Alokasi Dana Desa – ADD), Funds Part of Regional Taxes and Levies, Financial assistance from the Provincial, District/City APBD, Third Party Grants and Contributions, and Other legitimate income. Which is in its management and utilization administered in the Budget document Village Income and Expenditures (Anggaran Pendapatan dan Belanja Desa - APBDesa), as unity. To finance maintenance governance, implementation development, coaching society, and community empowerment, village funds are sourced from the Revenue Budget and State Expenditure meant for the Village and transferred through the Budget Regional Income and Expenditures Regency/City.

### **Village Fund Management Development**

The three ministries work together to coordinate the creation and management of village funding as follow the first one is Ministry of Finance uses coaching as income for Village Fund Management. Villages from the APBN adhered to the annual decree from the minister of finance. To carry out the Village Fund distribution, Village fund management regulations, enacted by Minister of Finance Number 222/PMK.07/2020 in 2020, are followed by the Regulations Regency/City Regional Head. The second one, is Ministry of Home Affairs focuses on Management Development Village Finance, whose execution is based on the District/City Regional Head Regulation and Minister of Home Affairs Regulation Number 20 of 2018. Briefly stated, Village Financial Management is governed by Minister of Home Affairs Regulation Number 20 of the Year 2018, which starts with Planning, Budgeting, Implementation of Activities and Budget, Administration, Reporting, and Accountability. This regulation can be implemented in a participatory manner, transparent, accountable, orderly, and disciplined budget based on cash accounting. The last one, is Ministry of Village, PDT, and Transmigration emphasizes the Priority Policy for the Use of Village Funds, then follows each year's Permendesa, PDTT requirements. PDTT Ministerial Decree Number 13 of 2020 about Village Fund Priorities for 2021 has been adopted to execute Village Funds in 2021. Additionally, under the coordination of the Coordinating Ministry for Human Development and Culture, other pertinent Ministries and Institutions work with them to provide direction and oversight for managing Village Funds, including pushing for a quicker distribution of Village Funds.

### **Sistem Keuangan Desa (Siskeudes) Application**

Following the directive of Law No. 6 of 2014 concerning Villages, the Financial and Development Supervisory Agency (BPKP) and other Government Internal Supervisory Apparatus (APIP), which consists of Ministry/Institution/Regional Government Inspectorates, have reaffirmed their commitment to overseeing village finances to make the village development process more accountable. This confirmation relates to the strategy for carrying out the May 18 National Coordination Meeting on Government Internal Oversight, which will take place in Jakarta. Along with officials from regional, province, district, and city administrations and village governments, the ceremony will be attended by the President of the Republic of Indonesia.

To strengthen the internal control system for village financial management, BPKP collaborates with regional governments, ministries, and organizations to develop applications for the village financial management system and to improve APIP's capacity to oversee village funds. By creating apps for village financial management through the Village Financial System, the Joint Ministry of Home Affairs, BPKP, has promoted accountability in village financial management (Siskeudes). BPKP collaborates with the Ministry of Home Affairs' c.q. Directorate General of Village Government Development to enable the Siskeudes application's gradual implementation to promote complete implementation. In addition, BPKP and KPK collaborated to urge all village leaders to deploy the Siskeudes application. BPKP issued this application in association with several universities and the Indonesian Accountants Association (IAI). BPKP and the World Bank (World Bank) have issued awards recognizing regions implementing Siskeudes.

Village Owned Enterprises/BUM Communities comprise tens of thousands of villages. The Village-Owned Enterprise Accounting Information System (SIA BUM Desa) application was created by BPKP and the Ministry of Villages, Development of Disadvantaged Regions, and Transmigration at the end of 2016. SIA BUM Desa was created to help BUM Desa operational managers manage accounting transactions and create financial and performance reports. SIA BUM Desa has been implemented in 15 BUM Desa in the Bali Province during its earliest stages of development.

The features in both systems are made simple and user-friendly to address varying village conditions and facilitate implementation. Siskeudes and SIA BUM Desa can provide output in administrative documents and reports that adhere to statutory requirements with a single input process based on current transactions. Aside from being practical, both come with an Built-in Internal Control and are accompanied by Application Manuals and Implementation Instructions. BPKP invites APIP to join the Regional Government Task Force for Siskeudes implementation.

### **III. Research Method**

Researchers employ a descriptive method with a qualitative approach for their research. Sugiyono (2019:9) defines a qualitative approach as a research methodology built on the postpositivist school of thought and utilized to examine the inherent properties of objects. In other words, the information gathered using this method comes from interviews, field notes, personal writings, memos, and other official records rather than numbers. As a result, this strategy is thought to be the best one for giving a more thorough explanation and description of the issue as well as the data already available after achieving the desired goals.

Descriptive research, according to Sugiyono (2019:11), is a sort of study that tries to uncover the values of independent variables, whether one or more, without drawing comparisons or connecting one variable with another. To paint a picture of and get a knowledge of how the Siskeudes program was implemented in the East Java Province to manage village financial reporting, researchers used descriptive research methodologies with a qualitative approach. This approach entails conducting in-depth interviews with BPKP staff members who specialize in the APD (Local Government Accountability) sector in order to learn about challenges associated with the program's execution as well as other information that researchers can gather.

### **IV. Results and Discussion**

Siskeudes has been fully implemented in East Java Province villages since 2019 in accordance with the findings of study carried out at BPKP East Java Province. The Financial and Development Supervisory Agency (BPKP) in conjunction with the Directorate General of Village Government Development, Ministry of Home Affairs, developed the Siskeudes application, formerly known as Village SIMDA. The purpose of creating this application is to raise the standard of money management in villages.

**Figure 1. Display of the Siskeudes Application**



Source: Financial and Development Supervisory Agency

Users may easily utilize the Siskeudes program because it is made with basic, user-friendly features. In addition, this application's UI is made to be user-friendly so that users will not have any trouble using it. Siskeudes was created to enhance the transparency, organization, effectiveness, and efficiency of village finance management. 38 cities and 29 regencies make up the 38 cities and 29 regencies that make up East Java Province. The Siskeudes application, which can help enhance village financial governance, has been implemented in 30 of the 38 cities and regencies in the East Java Province.

**Table 1. List of City/Regency Users of the Siskeudes Application**

No.	Name of City/Regency	Implementation Year
1.	Stone City	2019
2.	Blitar Regency	2019
3.	Situbondo Regency	2019
4.	Pacitan Regency	2019
5.	Banyuwangi Regency	2022
6.	Ponorogo Regency	2019
7.	Tulungagung Regency	2019
8.	Bondowoso Regency	2019
9.	Kediri Regency	2019
10.	Nganjuk Regency	2019
11.	Pasuruan Regency	2019

No.	Name of City/Regency	Implementation Year
12.	Jombang Regency	2019
13.	Sampang Regency	2019
14.	Pamekasan Regency	2019
15.	Jember Regency	2019
16.	Trenggalek Regency	2019
17.	Malang Regency	2019
18.	Tuban Regency	2019
19.	Lamongan Regency	2019
20.	Lumajang Regency	2019
21.	Sidoarjo Regency	2019
22.	Madiun Regency	2019
23.	Probolinggo Regency	2019
24.	Sumenep Regency	2019
25.	Bangkalan Regency	2019
26.	Mojokerto Regency	2019
27.	Magetan Regency	2019
28.	Ngawi Regency	2019
29.	Bojonegoro Regency	2019
30.	Gresik Regency	2019

Source: Researchers, data processed

According to the information in the table above, 29 cities and/or governments have used the Siskeudes app as of 2019. This demonstrates that 29 cities or regions in the East Java Province have been using the Siskeudes app to handle their village budgets since 2019. One district, meanwhile, will only begin using the Siskeudes application in 2022. This demonstrates that the district made the decision to employ the Siskeudes application that year in order to raise the standard of local village financial governance.

More than 90% of the cities and agencies in East Java Province have adopted the Siskeudes application, demonstrating the widespread use and acceptance of this system for managing village budgets. This is a step in the right direction toward improving the East Java region's village finance administration in terms of transparency, accountability, and efficiency. According to Herawati & Hayati, (2020) if the Siskeudes application is implemented well, it will provide effective reporting for the relevant agencies. The use of Siskeudes in East Java Province has had several significant impacts. Here are some positive impacts of using Siskeudes (Juardi et al., 2018): **Increase transparency:** Siskeudes allows the village financial

management process to be more open and transparent. Related parties, including the general public, can access village financial information easily. This helps reduce the potential for corruption and misuse of village finances. **Strengthen accountability:** Siskeudes allows more accurate and detailed recording and reporting of village finances. With a structured system in place, it becomes easier to track budget usage and verify the validity of financial transactions. This helps increase village government accountability towards the community and supervisory agencies. **Improving financial management efficiency:** Siskeudes assists in automating and integrating various village financial management processes. Using this system reduces dependence on manual processes that are prone to errors and take longer. This increases efficiency in handling financial transactions, reporting and monitoring village finances. **Make it easier to access information:** With the existence of Siskeudes, information related to village finances becomes more easily accessible to related parties. The community can obtain relevant information regarding the village budget, allocation of funds, and implementation of development projects. This helps increase community participation in monitoring and making decisions related to village financial management. **Increase the professionalism of village financial management:** Using Siskeudes requires better knowledge and skills in managing village finances. This encourages improvement in the quality of human resources involved in the process. Village governments and village administration staff need to develop understanding and skills in using this system, increasing the professionalism of village financial management.

The use of Siskeudes in East Java Province has had a positive impact in improving village financial governance, reducing corrupt practices, and improving the quality of public services. With this system, it is hoped that village finances can be managed better and provide greater benefits for the local community (Rondonuwu et al., 2020). Meanwhile, not using the Siskeudes application in East Java Province will also significantly impact. Here are some of the impacts of not adopting Siskeudes: **Lack of transparency:** Without Siskeudes, the village financial management process tends to be less transparent. Village financial information may not be easily accessible to related parties, including the general public. This can cause uncertainty and doubt regarding the use of village funds. **Low accountability:** Without a structured system, village financial recording and reporting can become less accurate and detailed. This makes it difficult to track budget usage and verify the legitimacy of financial transactions. Lack of accountability can open up corrupt practices and misuse of village finances. **Potential loss of funds:** Without adopting Siskeudes, village financial management may rely on manual processes prone to errors and data loss. This can cause village financial losses due to errors in recording and managing funds. Lack of supervision and control can increase the risk of losing village funds. **Difficulty in monitoring and evaluation:** Monitoring and evaluating village financial management becomes more difficult without an integrated system. Information required for analysis and decision-making may be scattered across physical documents that are difficult to access and process. This can hinder village governments' ability to identify problems, measure performance, and make necessary improvements. **Low efficiency and productivity:** Without Siskeudes, the village financial management process tends to rely on manual work, which takes time and energy. This can lead to increased workload and inefficient handling of financial transactions and reporting. A lack of systematization can also hinder the ability to produce necessary information quickly.

If cities/districts do not use the Siskeudes application in East Java Province, it could hamper efforts to improve village financial governance, increase transparency, and strengthen accountability. This can have a negative impact on the use of village funds, the quality of public services, and development at the village level. Therefore, implementing Siskeudes is crucial in improving effective and efficient village financial management.

## V. Conclusion

The Financial and Development Supervisory Agency (BPKP) and the Ministry of Home Affairs' Directorate General of Village Government Development collaborated on creating the Siskeudes application. The purpose of creating this application is to raise the standard of money management in villages. Users may easily utilize the Siskeudes program because it is made with basic, user-friendly

features. Siskeudes was created to enhance village finance management's transparency, organization, effectiveness, and efficiency.

In East Java Province, there are a total of 38 cities and regencies, and based on the findings of the research, it can be said that 30 of them have employed the Siskeudes application. Let's say the district or city has used the Siskeudes program. If so, the East Java Province Financial and Development Supervisory Agency (BPKP) can keep an eye on the financial accountability of the villages in the province regularly. Efforts will also be made to make the Siskeudes application available to the eight cities and districts that have not yet used it.

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