



## The Role of the Regional Inspectorate in Supervising Village Financial Management

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### Abstract

*This study aims to analyze the performance of the supervision performance of the Regional Inspectorate of Mandailing Natal Regency on the financial management of Lumban Pasir Village in the 2022 and 2023 fiscal years. Supervision carried out by the Regional Inspectorate involves regular audits, monitoring, and evaluation of the planning, implementation, and reporting of the use of village funds. The research method used is qualitative with a descriptive approach, which includes in-depth interviews, observations, and document analysis. The results of the study show that although the Regional Inspectorate has carried out its supervisory function well, there are several obstacles that affect the effectiveness of supervision, such as limited human resources, lack of understanding of village officials about financial regulations, and lack of supporting facilities such as information technology. On the other hand, this supervision has succeeded in improving the quality of village financial planning and reporting, although there are still some weaknesses such as delays in financial reports and data inconsistencies. The impact of supervision on village financial management includes increasing awareness of the importance of transparency and accountability in the management of village funds. This study suggests the need to increase the capacity of village officials and Inspectorate auditors, as well as the use of information technology in the supervision process to improve the efficiency and effectiveness of village financial management.*

## Introduction

Village financial management is one of the important aspects of governance at the village level. As part of efforts to support the development and empowerment of village communities, accountable, transparent, and efficient financial management is a must (Rivan & Maksum, 2019). Therefore, supervision of village financial management plays a strategic role to ensure that every allocation of village funds is used in accordance with the provisions of applicable laws.

In Indonesia, the Regional Inspectorate has an important responsibility in carrying out internal supervision over regional financial management, including village finance (Matei et al., 2017). As a supervisory institution, the Inspectorate is tasked with ensuring that village financial governance runs in accordance with the principles of good governance, namely transparency, accountability, participation, and effectiveness (Putra et al., 2024; Aliwardi, 2023; Rembu & Fritantus, 2023; Dewila, 2025). In this case, the Inspectorate plays a role as a guard in minimizing the risk of budget abuse and improving the quality of village fund management.

Lumban Pasir Village, located in Panyabungan District, Mandailing Natal Regency, is one of the villages that receives village fund allocation every year. With a significant amount of funds,

village financial management is a very relevant issue to be supervised. The Regional Inspectorate of Mandailing Natal Regency is expected to be able to ensure that the use of village funds in Lumban Pasir is carried out in accordance with the work plan that has been set, without any irregularities or fraud.

However, in practice, village financial management is often faced with various challenges. Starting from the lack of capacity of village officials in managing funds, low understanding of regulations, to the potential for corrupt actions. This condition requires the active role of the Regional Inspectorate in carrying out more intensive and directed supervision (Wijatmoko et al., 2023; Noorfaidah et al., 2022; Mohammed, 2023). The 2022 and 2023 fiscal years are an interesting period to study in the context of village financial management in Lumban Pasir Village. This period reflects the village government's efforts in implementing development and community empowerment programs after the COVID-19 pandemic, where the management of village funds is required to be more optimal (Marhaeni et al., 2023). The role of the Regional Inspectorate in supervising financial management in this period is the key to evaluating the effectiveness of the supervision carried out.

The supervision carried out by the Regional Inspectorate covers various aspects, ranging from planning, implementation, to reporting on the use of village funds. The approach used by the Inspectorate often involves regular audits, monitoring, and risk-based evaluations (Shofi, 2024). The results of this supervision are evaluation material for the village government to improve its financial governance in the future (Bakhtiar, 2021; Khotimah et al., 2024). In addition, the supervision carried out by the Inspectorate not only aims to find errors or irregularities, but also provides recommendations and guidance to village officials (Maulida, 2017). Thus, the supervision carried out by the Inspectorate is constructive and oriented towards improving the village financial management system as a whole.

However, the effectiveness of the supervision of the Regional Inspectorate is also influenced by various factors, such as the availability of human resources, budget, and political support. Therefore, it is important to evaluate the extent of the role of the Inspectorate in overcoming these obstacles and making a real contribution to improving village financial management (Mait et al., 2021; Sara et al., 2023). In the context of Lumban Pasir Village, the role of the Regional Inspectorate in village financial supervision can be a benchmark to assess the quality of governance at the village level. The results of this supervision not only have an impact on financial accountability, but also on the level of public trust in the village government.

This study aims to analyze the role of the Regional Inspectorate of Mandailing Natal Regency in supervising the financial management of Lumban Pasir Village in the 2022 and 2023 fiscal years. This analysis includes the monitoring mechanisms implemented, the challenges faced, and the impact of supervision on the quality of village fund management.

Through this research, it is hoped that the extent of the Regional Inspectorate's contribution in encouraging better village financial management can be revealed. In addition, this research is also expected to provide practical recommendations for the Inspectorate and village governments to increase the effectiveness of supervision and management of village funds in the future. Good village financial management is not only the responsibility of the village government, but also all stakeholders, including the Regional Inspectorate. With effective supervision, the potential for budget misuse can be minimized, and village funds can be used to improve community welfare.

Overall, this study will provide a comprehensive overview of the dynamics of supervision of village financial management by the Regional Inspectorate. Thus, the results of this study are

expected to be a reference for efforts to improve village governance, especially in terms of more transparent and accountable financial management.

## Methods

This research is a qualitative descriptive research that aims to describe and analyze the phenomenon of supervision carried out by the Regional Inspectorate in depth. The focus is on the supervision mechanism, the obstacles faced, and the impact of supervision on village financial management (Sugiyono, 2016).

The location of this research is Lumban Pasir Village, Panyabungan District, Mandailing Natal Regency. The selection of this location was based on the consideration that the village was one of the recipients of village funds supervised by the Regional Inspectorate of Mandailing Natal Regency. The subjects of this study are the Regional Inspectorate of Mandailing Natal Regency and the Lumban Pasir Village Government. Research informants are selected purposively with the following criteria: 1) Regional Inspectorate officials who are responsible for supervising village funds, such as auditors and supervisory teams; 2) Lumban Pasir Village officials, including village heads, village secretaries, and village treasurers who are directly involved in village financial management; 3) Community leaders who have insight into village fund management and can provide an independent perspective on the impact of supervision.

## Data Collection Techniques

Semi-structured interviews are conducted to dig up information from informants. The questions are designed to obtain data related to the roles, mechanisms, obstacles, and results of supervision by the Regional Inspectorate. Observation was carried out to see firsthand the process of village financial management and supervision activities carried out by the Regional Inspectorate. The documents analyzed include the Regional Inspectorate supervision report, the village budget realization report, regulations related to the management of village funds, and other relevant documents.

Data analysis was carried out using thematic analysis techniques. The analysis steps include (Jogiyanto Hartono, 2018): Data obtained through interviews, observations, and documentation are summarized, filtered, and selected based on relevance to the focus of the research. The data that has been reduced is grouped into key themes, such as monitoring mechanisms, challenges faced, and the impact of supervision. The data that has been grouped are presented in the form of a descriptive narrative to provide a comprehensive overview of the role of the Regional Inspectorate. Conclusions are made based on the theme analysis that has been carried out, by paying attention to the relationship between the findings in the field and the theory used.

## Data Validity

To ensure the validity of the data, triangulation techniques are carried out, namely: 1) Source Triangulation: Comparing data obtained from various informants; 2) Triangulation Techniques: Comparing data obtained through interviews, observations, and documentation; 3) Time Triangulation: Collecting data at different times to ensure consistency of information.

## Results and Discussion

### Analysis of Regional Inspectorate Supervision Performance

Based on the results of research conducted through in-depth interviews, observations, and document analysis, it was found that the Regional Inspectorate of Mandailing Natal Regency has carried out supervision of the financial management of Lumban Pasir Village periodically in the 2022 and 2023 fiscal years. Supervision is carried out through several mechanisms, including regular audits, monitoring, and evaluation.



This supervision includes aspects of planning, implementation, and reporting on the use of village funds. In general, the Regional Inspectorate uses a risk-based approach, focusing on financial management that is prone to irregularities. However, there are several obstacles that affect the effectiveness of supervision, such as limited human resources and lack of understanding by village officials regarding regulations.

Table 1. Surveillance Results

Management Aspects	Supervision Results (2022)	Supervision Results (2023)
Financial Planning	The Village Revenue and Expenditure Budget Plan (APBDes) has been prepared, but there are delays in its preparation.	The APBDes is prepared on time, but it needs improvements in budget details.
Financial Implementation	There are budget realizations that are not in accordance with the plan in several programs.	The implementation is as planned, but there are still programs that have not been fully realized.
Financial Reporting	The financial report was submitted late to the Inspectorate.	The report was submitted on time, but data inconsistencies were still found.
Follow-up Findings	Some of the Inspectorate's recommendations have not been fully implemented.	Follow-up recommendations have begun to be implemented, but further supervision is still needed.

### Factors Affecting Supervision Performance

Based on interviews with informants, there are several factors that affect the performance of the Regional Inspectorate's supervision, including:

#### *Human Resource Capacity*

The limited number of auditors in the Regional Inspectorate makes supervision unable to be carried out comprehensively. In addition, village officials have not fully understood village financial regulations, so administrative errors often occur.

#### *Facilities and Infrastructure*

Supporting facilities, such as technological devices, are still limited. This makes it difficult for the Inspectorate to access data and conduct analysis effectively.

#### *Village Government Commitment*

The level of commitment of the village government in implementing the recommendations of the Inspectorate varies. Some recommendations are not implemented due to budget or resource constraints.

#### *Budget Support for Supervision*

The budget allocated for supervision activities is considered inadequate, thus limiting the frequency and scope of supervision.

### Impact of Supervision on Village Financial Management

The supervision carried out by the Regional Inspectorate has had a positive impact on the financial management of Lumban Pasir Village. Although there are still obstacles, supervision

has succeeded in increasing the awareness of village governments on the importance of accountable financial governance. Some of the improvements achieved include: 1) Preparation of APBDes that is timelier and in accordance with procedures; 2) Improving the quality of village financial reports, although it still needs improvement; 3) Reduction of irregularities in budget implementation.

Based on the results of the research, the performance of the Regional Inspectorate's supervision in the financial management of Lumban Pasir Village in the 2022 and 2023 fiscal years shows that supervision has been carried out through a structured mechanism, despite various obstacles. In this discussion, the results of the research are associated with supervision theory and previous research to provide a deeper understanding.

### **The Role of the Regional Inspectorate in Village Financial Supervision**

The results of this study are in line with the theory of supervision put forward by Terry (2010), which states that supervision is the process of ensuring that organizational activities run according to plan (Rohmah, 2019). The Regional Inspectorate plays an important role in ensuring that the management of village funds is in accordance with the principles of accountability and transparency. The mechanisms implemented, such as regular audits and risk-based evaluations, show the seriousness of the Inspectorate in reducing potential financial irregularities.

The study also supports the findings of (Karimah et al., 2014), which emphasizes that effective supervision requires a systematic approach in every stage of financial management, from planning to reporting. In Lumban Pasir Village, supervision by the Inspectorate has helped improve the preparation of the APBDes and village financial reporting, although some weaknesses are still found, such as the delay in reporting in 2022.

### **Obstacles in Village Financial Supervision**

The finding that limited human resources is one of the main obstacles in supervision supports research conducted by (Rahmawati & Suwardi, 2023). In his research, Suwardi found that the number of auditors that was not proportional to the number of villages supervised had an impact on less than optimal supervision. The same thing happened at the Regional Inspectorate of Mandailing Natal Regency, where the limited auditor personnel made supervision unable to cover all aspects of financial management in depth.

In addition, the lack of understanding of village officials about financial regulations is also a significant obstacle. This is consistent with studies conducted by (Adabi, 2023), which shows that the lack of competence of village officials often leads to administrative errors in the management of village funds. Therefore, increasing the capacity of village officials through training and mentoring is an important step that needs to be taken.

### **Impact of Supervision on Village Financial Governance**

Supervision by the Regional Inspectorate has had a positive impact on the financial governance of Lumban Pasir Village, such as improving the quality of financial reports and reducing irregularities in budget implementation. These findings are in line with the theory of good governance which emphasizes the importance of transparency, accountability, and participation in public financial management (Santosa, 2001).

This research also supports the results of the study conducted by (Setyowati et al., 2016), which shows that consistent supervision by the Inspectorate can improve village government compliance with financial regulations. However, this study also emphasizes that supervision

will only be effective if it is supported by a strong commitment from the village in following up on the recommendations of the supervision results.

### Recommendations for Increased Supervision

The results of the study show that although the supervision carried out by the Regional Inspectorate is quite good, there are several aspects that need to be improved. One of them is the provision of an adequate budget to support supervision activities. This is in accordance with the findings (Radina et al., 2024), which states that limited budgets are often an obstacle to the implementation of optimal supervision.

In addition, it is important to integrate information technology in the supervisory process, such as the use of digital systems for financial reporting. Thus, supervision can be carried out more efficiently and accurately. These findings support the views expressed by (Talaohu, 2024), which highlighted that digitalization of supervision is a strategic step in increasing the effectiveness of village financial management.

### Conclusion

This study shows that the Regional Inspectorate of Mandailing Natal Regency has carried out its role in supervising the financial management of Lumban Pasir Village in the 2022 and 2023 fiscal years with a mechanism that includes regular audits, monitoring, and evaluation. This supervision focuses on every stage of financial management, from planning, implementation, to reporting, with the aim of ensuring compliance with regulations and good governance principles. The results of the study revealed that the supervision carried out by the Regional Inspectorate had a positive impact on increasing accountability and transparency in the management of village funds. In 2023, there will be significant improvements in the preparation of the APBDes and the timeliness of financial reporting compared to the previous year. However, some weaknesses are still found, such as data inconsistencies in financial statements and delays in the implementation of several supervisory recommendations. Obstacles faced in the implementation of supervision include limited human resources, lack of understanding of village officials on financial regulations, and lack of supporting facilities, such as information technology. These findings reinforce the theory of surveillance that emphasizes the importance of structured systems, resource capacity, and technological support to improve the effectiveness of supervision. Although the Regional Inspectorate has contributed to improving village financial governance, this study also shows that the effectiveness of supervision is highly dependent on the commitment of the village government in following up on the Inspectorate's recommendations. In addition, collaboration between the Inspectorate and village officials needs to be improved to build a common understanding of financial management in accordance with regulations. This study supports previous findings that emphasize that consistent and risk-based supervision is able to reduce the potential for village financial irregularities. However, to achieve more optimal results, the Regional Inspectorate needs to increase the capacity of auditors, expand the scope of supervision, and integrate digital technology in the supervision process. Thus, the main conclusion of this study is that supervision by the Regional Inspectorate has a strategic role in encouraging better village financial management. However, to realize truly accountable and transparent management, continuous efforts are needed from all parties involved, including strengthening the resources of the Inspectorate, increasing the capacity of village officials, and adequate budget allocation to support supervision activities.

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