

## Accountability Practices of Village Owned Enterprises (BUM Desa)

Andi Laksono<sup>1</sup>, Puji Handayati<sup>2</sup>, Agung Winarno<sup>3</sup>

State University of Malang<sup>1,2,3</sup>

Jalan Semarang No.5, 65145, Malang, Indonesia

Correspondence email: laksonodewo@gmail.com

ORCID ID: 000-0002-0403-3403

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#### ABSTRACT

The BUM Desa organizational apparatus is required to carry out its duties and authorities in a professional, efficient and effective manner, as well as accountable. Accountability is the obligation to provide information including financial information as a form of organizational responsibility. This study aims to analyze the financial accountability practices of BUM Desa Ageng using indicators of financial integrity, disclosure and compliance with laws and regulations. The management of BUM Desa Ageng has good integrity by upholding the values of honesty and ethics, even though the organization runs without SOPs. The financial disclosure of BUM Desa Ageng has not been able to fulfill the preparation of 5 reports according to SAK ETAP. The process of establishing BUM Desa Ageng has implemented accountability practices in the aspect of compliance with laws and regulations, although it still involves village officials as operational implementers of BUM Desa.

**Keywords:** Accountability, village owned enterprises, BUM Desa

## INTRODUCTION

Law No. 6 of 2014 concerning Villages imposed by the government has strategic consequences by giving the village authority to regulate and manage government affairs, the interests of local communities based on community initiatives, origin rights, and/or traditional rights that are recognized and respected in the Republic of Indonesia government system. This regulation encourages community initiatives, movements and participation in the development of village potential and assets for mutual prosperity and places the village as the subject of development.

The establishment of BUM Desa is based on a thought that aims to solve social problems such as employment, poverty, which utilizes the potential possessed by the village, so that BUM Desa that is established has its own uniqueness as an effort to improve welfare for the community. Thus, the existence of BUM Desa is expected to be able to bring about significant changes in the economic and social fields (Anggraeni, 2016). As a social institution, BUM Desa has a role in providing social services for the benefit of the community, and as an economic institution, BUM Desa has a goal to earn profits to encourage village development (Irawati & Martanti, 2017).

The accountability of the village government in the management of BUM Desa is manifested in the form of reports, starting from the planning, implementation, management and accountability processes. With the accountability report, it becomes a benchmark for the success of BUM Desa accountability accuracy so that it is able to gain public trust (Ana & Ga, 2021). The management of BUM Desa is expected to fulfill business governance management that has accountability in the business financial reporting process. Accountability is a manifestation of good governance in an organization including community service organizations (Maslika et al, 2021). All stakeholders must be included in the delivery of the results of managing village-owned businesses, encouraging participation in decision-making as a form of cooperation in the management of BUM Desa (Afriyanti et al, 2015).

Various problems arise in the practice of village financial management accountability and the preparation of financial reports. The low quality of village apparatus human resources is the cause of the lack of transparency, accountability, and participation from the community (Rindi et al, 2017; Fauzanto, 2020; Puspa & Prasetyo, 2020). The use of the Siskeudes application in village financial management that has not been integrated with the control apparatus at the sub-district and district levels, makes supervision and control unable to be carried out quickly and allows deviations to occur which make reporting unaccountable (Arfiansyah, 2020). In addition, the lack of participation from the community in the budgeting process in the village results in the low quality of accountability practices in village financial management (Babulu, 2020).

This research took place in Ngroto Village, Pujon District, Malang Regency, East Java Province, which is the village with the highest score in the calculation of the Building Village Index (IDM) based on the Decree of the Director General of Village Community Development and Empowerment No. 52 in 2018, as well as being ranked first out of the 100 best villages in Indonesia (Khanifah et al, 2020). IDM is a composite index generated from the calculation of the Social Resilience Index (IKS), the Economic Resilience Index (IKE) and the Environmental Resilience Index (IKL). Based on IDM calculations in 2018, Ngroto was ranked first with the status of an Independent Village. The Independent status reflects the form of village independence where one of the indicators in the Economic Resilience Index is an assessment related to the existence of a village economic institution, namely BUM Desa.

Based on the above background, the authors are interested in conducting research on the accountability practices of BUM Desa financial management from the perspective of Agency Theory. Accountability is defined as the act of providing information from one party who is responsible for providing explanations to other parties who are entitled to receive the accountability information (Gray et al., 1997). The two parties involved in this accountability mechanism are described as the principal or the party receiving the responsibility and the agent, the party carrying out the responsibility. Agency theory (Jensen and Meckling, 1976) is often used to explain problems that arise due to differences in interests between principals and agents caused by the existence of information asymmetry (Maruhun & Asmony, 2018).

In the book *Accountability and Good Governance* (2000:28) the Financial and Development Supervisory Agency (BPKP) cites an explanation from the State Administration (LAN) regarding the components that make up financial accountability. These components consist of financial integrity, disclosure, and compliance with laws and regulations. The researcher uses the 3 components that make up financial accountability to review how the implementation of accountable behavior is carried out by BUM Desa Ageng.

### **LITERATURE REVIEW**

Financial accountability practices are a fundamental aspect of responsible and transparent financial management within organizations, whether they are in the public or private sector. These practices play a critical role in ensuring that financial resources are used efficiently, effectively, and ethically. Here are some key points to consider regarding financial accountability practices:

**Transparency:** Financial accountability practices emphasize the importance of transparency. This means that organizations should be open and honest about their financial transactions and reporting. Transparency builds trust among stakeholders, including shareholders, investors, donors, and the public.

**Compliance:** Financial accountability practices often involve compliance with relevant laws, regulations, and accounting standards. Adhering to these guidelines is essential for ensuring that financial reporting is accurate and follows best practices.

**Ethical Conduct:** These practices also encompass ethical behavior in financial management. Organizations should uphold ethical principles in their financial decisions and transactions, ensuring that they act with integrity and honesty.

**Internal Controls:** Implementing robust internal controls is a key component of financial accountability. These controls help prevent fraud, mismanagement, and errors in financial operations.

**Auditing and Reporting:** Regular financial audits and reporting are part of financial accountability practices. Auditors review financial statements to ensure accuracy and compliance, providing an independent assessment of an organization's financial health.

**Stakeholder Communication:** Organizations should communicate financial information to their stakeholders, such as shareholders, board members, employees, and the public. This helps stakeholders make informed decisions and assess the organization's financial performance.

**Decision-Making:** Sound financial accountability practices support better decision-making within organizations. When financial data is accurate and transparent, it enables

management to make informed decisions that align with the organization's goals and objectives.

**Preventing Mismanagement:** By having financial accountability practices in place, organizations can reduce the risk of financial mismanagement, fraud, and embezzlement. These practices act as a deterrent and provide mechanisms for detecting and addressing irregularities.

**Long-Term Viability:** Organizations that practice financial accountability are more likely to achieve long-term viability. They can attract investors, donors, and customers who have confidence in the organization's financial stability.

**Public and Stakeholder Trust:** Perhaps most importantly, financial accountability practices help build and maintain public and stakeholder trust. When people trust an organization to manage its finances responsibly, they are more likely to engage with it and support its mission.

In summary, financial accountability practices are essential for maintaining trust, ensuring compliance with laws and standards, and making informed financial decisions. Whether in the public or private sector, organizations that prioritize financial accountability are better positioned for success and sustainability.

## **RESEARCH METHOD**

In this research, a qualitative approach is used because this research requires exploration to make it easier for researchers to explain the facts in the field clearly and in detail. The approach chosen in this research is a case study to get an in-depth and accurate picture of the financial accountability mechanism in BUM Desa Ageng.

Collecting data in this study using semi-structured interviews with the consideration of openness of informants in explaining and describing information and opinions. The selection of informants was based on Permendesa PD TT Number 4 of 2015 namely the parties involved in the BUM Desa organization consisting of: 1) Advisor held by the Village Head; 2) Operational Executor; and 3) Supervisors, namely parties who represent the interests of the community.

The data obtained in the field will be analyzed using the interactive analytical model of Miles, Hubberman & Saldana (2014) which includes 1). Data collection, 2). data condensation, 3). display data, and 4). conclusion drawing and verification.

## **RESULTS**

Ngroto Village, located in Pujon District, Malang Regency, has established BUM Desa since 2015 through Village Regulation (Perdes) No. 15 of 2015 concerning the Establishment of BUM Desa. The BUM Desa Ageng business units are 1). Savings and Loans Business Unit, 2). Agricultural Store Business Unit, 3). Grocery Store Business Unit, 4). Drinking Water Business Unit (PAM), and 5). Tourism Business Unit.

The income of BUM Desa Ageng comes from the activities of the PAM business unit and the grocery store business unit. In 2020 the Savings and Loans Business Unit, Farm Shop Business Unit and Tourism Business Unit did not contribute income because there were no activities.

**Table 1.1 Income Sources of BUM Desa Ageng**

Income Sources	Total	Description
Drinking Water Business Unit (PAM)	Rp 27.482.700	
Grocery Store Business Unit	Rp 33.121.000	
Savings and Loans Business Unit	0	no activity
Agricultural Store Business Unit	0	no activity
Tourism Business Unit	0	no activity
Total Income	Rp 60.603.700	

Source: BUM Desa Ageng Financial Report 2020

## DISCUSSION

### Accountability

Accountability is an obligation to convey all types of information in order to account for the operational activities of the organization. Accountability in government organizations and the public sector is related to how well the governance is carried out in carrying out public affairs, managing public funds, free from abuse and corruption, and obeying the rule of law (Aziz et al, 2015; Bhuiyan & Amagoh, 2011). The meaning of BUM Desa accountability by Operational Executors is as explained below:

“One of the problems with our BUM Desa is the issue of Human Resources. None of us have an accounting background. My background is graphic design. We manage BUM Desa to the best of our ability, the important thing is that every year we can account for financial reports to the village government. We report to the village, then the village reports to the BPD and then it is published through a banner as Village Own-Source Revenue in the APB Desa. That is one form of our accountability.”

Based on the statement above, information can be obtained that BUM Desa has attempted to fulfill its responsibility to implement the accountability dimension in their financial reporting. Obstacles faced by BUM Desa in implementing accountability are human resources who are less able to make financial reports. Wahyuni and Ismail (2021) in their research also explain that the low quality of financial reports is due to the lack of training and low competence of human resources in the accounting field.

### Financial Integrity

Integrity of financial statements is the presentation of financial statements that are fair, honest and unbiased. The emphasis of this principle is so that the BUM Desa organization can implement a commitment to integrity and ethical values in accordance with the objectives of the BUM Desa organization. Behavior based on integrity and ethical values can result in accountable financial statements.

- a. Commitment to integrity and ethical values: honesty as an effort to achieve organizational goals.

The simple recording system in the Ageng Village BUM demands the importance of the honesty value of BUM Desa employees in managing funds. The recording of receipts and disbursements of money in the grocery store business unit is carried out by one person. For this reason, it is very important to record transactions and present BUM Desa financial statements honestly in accordance with transaction evidence and the amount of money received or issued. BUM Desa Ageng has been able to fulfill this element of financial integrity, as stated by the head of the basic food shop business unit as explained in the quote below:

"I always record the use of funds from the savings and loan business unit. I try to be careful about money matters. If caught dishonest will be the talk of many people in the village. In the end they don't trust us anymore. Can run all later our customers. If that happens, BUM Desa will not be able to develop."

Based on the statement above, it can be seen that to achieve the objectives of the BUM Desa organization, honesty from the BUM Desa manager is needed. The concepts of honesty and ethics are closely related to accountability (Parker and Gould 2000). Individuals who are touched by the aspect of their conscience will uphold the values of honesty and ethics in every action. The values of honesty and ethics will continue to be fought for and manifested in every activity to achieve organizational goals.

**b. BUM Desa runs without Standard Operating Procedures (SOP)**

Standard operating procedures (SOPs) are rules that must be created and implemented by an organization to ensure that the organization's operational activities can run smoothly. SOPs should be prepared for each part in the organization based on the characteristics of each part in the organization. SOPs that are prepared and executed properly will help an organization to maintain its financial integrity. SOPs can also reduce the error rate in the financial process so that it can produce standardized financial reports.

BUM Desa Ageng has not implemented SOPs in its financial activities, so it does not have a flow for recording financial transactions, both receipts and disbursements of money. Limited knowledge in making SOPs is one of the reasons why BUM Desa does not yet have SOPs. This is as stated by the village head in the quote below:

"Well, I once said that BUM Desa must have procedures for financial records. But until now BUM Desa does not have a SOP. There are no instructions on how to prepare SOPs for BUM Desa from the ministry or from the Regency DPMD."

BUM Desa does not have authorization procedures and separation of authority and responsibility in receiving and disbursing money. All work in each business unit is carried out by one person. The process of receiving money, spending money and recording it is done by the same person. There is no SOP that regulates all of that. This is as conveyed by the BUM Desa Treasurer as quoted below:

"For all activities of recording, receiving, issuing and reporting results, it is only done by one person, namely the head of the business unit. But always share with me if there is a problem. With the director, secretary and treasurer."

From the quote above, it can be concluded that there is no separation of authority and responsibility in the scope of activities in each business unit. All activities of receiving, issuing and recording money are carried out by one person. The separation of duties, authorities and responsibilities has not been regulated in the SOP. Conditions like this are very prone to irregularities and fraud, which in turn will reduce the quality of BUM Desa financial reports. Research conducted by Karsimin (2021) on small and medium enterprises concluded that Financial SOPs had a significant effect on the quality of financial reports. The existence of SOPs in financial management will be able to increase the accountability of BUM Desa (Sakti et al, 2020). With the SOP, BUM Desa will have standard procedures in financial reporting, there is a division of responsibilities, effective and efficient financial management and avoid overlapping financial management of BUM Desa. In addition, it also helps trace procedural errors in the financial management of BUM Desa.

### **Financial Disclosure**

Financial disclosure is intended that all information to make financial statements easy to understand and avoid double interpretation by interested parties has been disclosed in the financial statements. Referring to the Technical Instructions for Assistance in Financial Governance and Performance of BUM Desa (BPKP, 2016: 1), BUM Desa financial reports are based on Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP). SAK ETAP requires that the basic financial statements consist of 5 types of reports, namely balance sheets, income statements, cash flow statements, statements of changes in equity, and notes to financial statements. So, it is hoped that with the availability of these 5 types of reports, interested parties will be able to easily understand the financial condition of BUM Desa.

a. Disclosure of BUM Desa financial statements are not in accordance with SAK ETAP. Based on the information previously explained that the BUM Desa Ageng has obstacles related to the human resources of its administrators so that it has not been able to properly implement its financial accountability. The financial reports published by BUM Desa Ageng to date only include reporting income and expenses, and balance sheets. This is as stated by the Village Head as follows:

"The BUM Desa report is in the form of an income and expenditure report, there is a balance as well."

Information regarding the form of disclosure of the BUM Desa Ageng financial report was also obtained from the following supervisor's explanation:

"In the past, the BUM Desa management was also confused about the form of the financial statements. Are the financial statements made like a cooperative or something else. Finally, it was decided to make it like a cooperative financial report. Every BUM Desa business unit reports its income, profit and loss, balance sheet...after all, if it is submitted to the DPMD that it is not true, there will be guidance."

Based on the statements of the two informants, it is known that until now the BUM Desa Ageng has not been able to fulfill the preparation of 5 reports according to SAK ETAP consisting of a balance sheet, a report on operating results (profit and loss), a cash flow statement, a statement of changes in equity, and notes to financial statements. The Ageng Village BUM management provides a year-end accountability report regarding the BUM Desa financial condition, which is still in the form of income and expenditure reports, as well as a balance sheet.

Public knowledge about accounting is still low, so public understanding of financial statements is also low. The Village Head said that the community better understood the form of a simple report, as quoted below:

"People don't understand what a balance sheet is. This is because the quality of human resources is still low. The BUM Desa financial report is made simple, it is hoped that the community will understand. If we can understand accounting but the public can't. So the report explains the income of BUM Desa and how much is spent. In the end, BUM Desa profits will be obtained. It's still like that."

Based on the explanation above, it can be concluded that the BUM Desa management prioritizes convenience for the community in understanding the financial performance of BUM Desa by using simple financial reports. It is feared that the public will be disinterested in knowing the financial performance of BUM Desa if they use reports in a language that is difficult for them to understand. This is a challenge for BUM Desa administrators to be able to provide information that is easy to understand but also in

accordance with the Technical Instructions for Assistance in Financial Governance and Performance of BUM Desa (BPKP, 2016: 1) which bases BUM Desa financial reports on Financial Accounting Standards for Entities Without Public Accountability (BPKP, 2016: 1). SAK ETAP) by issuing 5 components of financial statements.

b. The BUM Desa financial report has not yet been published.

Based on the information submitted by the BUM Desa Treasurer, the financial report after being checked by the supervisor is then submitted to the village government. Furthermore, the village government conveyed in the Village Consensus Decision-Making forum. This is as conveyed by the BUM Desa treasurer in the following quote:

"We report to the supervisor, then the supervisor will schedule a report to the village government. There is usually a one month lag time from the report being received by the supervisor. Before being reported to the village government, the supervisor checks the BUM Desa financial statements. Then the village government submits the amount of BUM Desa funds that are included as Village Own-source Revenue (PAD) in the Village Consensus Decision-Making forum."

The village BUM financial reports submitted at the deliberation forum are not complete, only the BUM Desa contribution information to the Village is included in the APB Desa in the form of Village Own-Source Revenue (PAD). The complete financial report is not submitted to the Village Consensus Decision-Making forum. Participants in the Village Consensus Decision-Making did not involve representatives from the community. This is as stated by the chairman of the BPD, as quoted below:

"No.. only to the village head. BPD gets a copy of the report. We receive not from BUM Desa but from the village government. In the past, it had contributed 2.5 million in revenue at the beginning of its establishment to PAD. Then for now I still haven't received it."

The BUM Desa treasurer also stated that there were no community representatives involved in the Village Consensus Decision-Making reporting on the APB Desa, as stated below:

"There are no community representatives. So in that village there is a Village Consensus Decision-Making reporting this year's APB Desa. So what is reported there is only the PAD."

Based on the statements of the informants above, it can be concluded that the BUM Desa financial statements are not published to the public as a whole. BUM Desa financial reports are only submitted to the village government. This condition is contrary to village ministerial regulation number 4 of 2015 article 12 which states that operational implementers are authorized to provide BUM Desa business unit reports to village communities through Village Consensus Decision-Making at least twice a year. PP number 11 of 2021 article 59 states that the consolidated financial position report and consolidated profit and loss statement from the BUM Desa Business Unit are submitted to the Village Consensus Decision-Making and the results of the Village Consensus Decision-Making are published through mass media tools and the dissemination of public information that is easily accessible to the public. This shows that BUM Desa employee are required to publish annual financial reports as a form of accountability to the community.

c. The impact of the village political situation on the quality of financial reports.

In 2019 Ngroto village held village head elections for the next 6 year period. The BUM Desa director who was serving at that time took part in the contestation for the election



of the village head, so that according to the rules, the person concerned had to relinquish his position in the BUM Desa. This was conveyed by the village head as quoted below:

"In 2019 my term of office ended.. The village head election continued. Coincidentally, my rival was the Director of BUM Desa at that time."

The same thing was conveyed by the BUM Desa supervisor who explained that the resignation of the BUM Desa Director was also followed by admins who had close ties to the old Director. The admin is in charge of making BUM Desa financial reports. With the resignation of the administrative person, it has an impact on the quality of the financial reports produced by BUM Desa.

"In 2019 there will be village head elections. The incumbent joins the election again, the Director of BUM Desa also participates in the election as a rival. And thank God the trustee remains the old village head. Well, whether he was disappointed because he lost the election, the Director of BUM Desa finally resigned and was also followed by the administration because the two of them had a close relationship. Even though it is the administrator who usually makes the BUM Desa financial reports."

BUM Desa financial reports in 2017 and 2018 consist of a balance sheet, profit and loss report and profit sharing report. But in 2019 and 2020 the BUM Desa financial reports are only in the form of reports of income, expenses and business results. This was conveyed by the head of the PAM business unit, as quoted below:

"There used to be, in 2017 and 2018 there was a Balance Sheet and Profit and Loss, but starting in 2019 and 2020 it only displays income and expenses. There is also a profit-sharing report"

When the Director and the administrator resign, all financial reports in soft copy are also brought and are not given to the village government. This causes the 2019 and 2020 financial reports cannot be made like the previous reports. The loss of the Director in the election of the village head and being followed by an administrative person who is a close person to the Director caused the 2019 and 2020 financial reports to be unable to display the Balance Sheet. This is exacerbated by not providing soft copies of previous years' financial reports to the new BUM Desa managers.

One of the factors that determine the success and failure of BUM Desa is a factor related to the political character of the village (Eko, 2011). There is a strong relationship between the political character of village institutions and development programs, including the development of BUM Desa. Conflicts of interest in village institutions based on political rivalries will have an impact on the establishment and sustainability of BUM Desa (Zulkarnaen, 2016). The political character that is not conducive can result in the cessation of BUM Desa activities which automatically hinder the preparation of BUM Desa financial accountability reports.

### **Compliance with Laws and Regulations**

Compliance with laws and regulations is a must for an organization, including BUM Desa. Regulations related to BUM Desa are PP No. 43 of 2014, PP No. 11 of 2021 and Permendes, PD TT No. 4 of 2015. In this research, the researcher focuses on compliance with laws and regulations on the legal aspects of establishing BUM Desa and managing organizations of BUM Desa.

a. Legality of establishment of BUM Desa

BUM Desa Ageng was established based on Village Regulation (Perdes) No. 15 of 2015 concerning the Establishment and Establishment of BUM Desa. This was conveyed by the village head as quoted below:

"Finally 2014 law number 6 of 2014 concerning Villages was issued, in 2015 only a Perdes (Village Regulation) was issued for the establishment of BUM Desa. At that time, after implementing the Village Consensus Decision-Making, we issued Perdes number 15 of 2015. It was about the formation and establishment of BUM Desa. Our initial capital participation is in the form of land and buildings which are currently used as the BUM Desa office."

The establishment of BUM Desa began with Village Consensus Decision-Making which was then stipulated through Village Regulation (Perdes) No. 15 of 2015 concerning the Establishment of BUM Desa. This is in accordance with Permendesa number 4 of 2015 article 4 paragraph (1) which states that Villages can establish BUM Desa based on Village Regulations concerning the Establishment of BUM Desa.

b. BUM Desa organization involves village apparatus.

BUM Desa Ageng in carrying out its activities involves village apparatus who currently occupy the position of head of the village service section. This is as expressed by the village head, as quoted below:

"Yes, we maintain that. At first it was not a village apparatus, in the end he passed the selection for the acceptance of the apparatus and was accepted as an apparatus. Mr Roy at BUM Desa serves as the treasurer of BUM Desa and in the village government as the head of the village service section"

The reason why the village apparatus is still involved in the management of BUM Desa is so that BUM Desa can continue to carry out its operational and sustainable activities, not as a temporary foothold for its employees. And more importantly so as not to be influenced by the political situation in the village. This was conveyed by the village head as quoted below:

"If I may say it openly, why at that time Mr Roy entered the village apparatus, I still appointed him as the treasurer of the BUM Desa, because it was for the sake of maintaining the management of BUM Desa. That's the reason we take the policy even though it violates the rules. We want this BUM Desa to be sustainable, not just for a temporary foothold, let alone being involved in village politics."

From what the village head said, in fact the involvement of village officials in the management of BUM Desa has an impact on the quality of BUM Desa financial reporting. Time constraints and the difficulty of dividing time between activities in the village government and BUM Desa financial management activities resulted in the financial reports being produced only in the form of income and expenditure reports, without a balance sheet and other financial reports according to standards.

From the data obtained, it can be concluded that the involvement of the head of the village service section as the treasurer of the BUM Desa has an impact on the quality of the financial reports produced by the BUM Desa. The BUM Desa treasurer for 2019 and 2020 only makes reports on receipts and expenses of BUM Desa and does not make Balance Sheets and other financial reports according to standards. This is due to the limited time that the BUM Desa Treasurer has, because he also serves as the head of the village service section.

The involvement of the village apparatus in the management of BUM Desa is contrary to Government Regulation number 43 of 2014 article 132 which states that operational executives are prohibited from holding concurrent positions carrying out the functions of implementing village government institutions and village community institutions. This condition will have an unfavorable impact on the management of BUM Desa, although on the other hand the village head also has reasons why village officials are still involved in the management of BUM Desa. This is in line with Kurniasih & Wijaya (2017) who in their research stated that in the context of BUM Desa management, the involvement of village governments in BUM Desa management is still too high. Village officials carry out a dual role, namely carrying out village government functions and at the same time as managing BUM Desa. This causes the management of BUM Desa to be unprofessional. Due to time constraints, financial statements are not reported consistently so that it will have an impact on decision making, because they cannot be compared with previous years.

### **CONCLUSION**

Based on the research findings, the accountability practices carried out by BUM Desa Ageng on the aspect of financial integrity have been going well. The management of BUM Desa Ageng upholds the values of honesty and ethics in every action to achieve organizational goals. However, it would be much better if BUM Desa had SOPs in financial management, so that it would be clear who was authorized to authorize every financial action. The SOP will also provide strict guidelines regarding the separation of authority and responsibility within the scope of activities in each business unit.

In the aspect of financial disclosure, BUM Desa Ageng has not been able to fulfill the preparation of 5 reports according to SAK ETAP consisting of a balance sheet, income statement, cash flow statement, statement of changes in equity, and notes to financial statements. The reports made are still in the form of balance sheets and income statements. This is due to the problem of human resources who still do not understand about accounting. The BUM Desa Ageng has also not published the BUM Desa financial reports to the public through mass media tools and the dissemination of public information that is easily accessible to the Village community. Interestingly, the unfavorable village political situation led to a decline in the quality of the financial reports produced.

The establishment of BUM Desa is based on Village Head Regulation No. 15 of 2015 concerning the Establishment of BUM Desa. BUM Desa Ageng has implemented accountability practices in the aspect of compliance with laws and regulations. But on the other hand, the BUM Desa Ageng in its management involves the village apparatus who serves as the treasurer of the BUM Desa. In addition to contradicting government regulation number 43 of 2014 article 132, village officials who carry out dual roles as managers of BUM Desa will cause BUM Desa management to become unprofessional.

Based on the research findings, it is recommended for the village government to facilitate BUM Desa in preparing SOPs, preparing financial reports according to SAK ETAP and reviewing the involvement of village apparatus as a BUM Desa Operational Executor.

### **DECLARATION OF CONFLICTING INTERESTS**

The authors declared no potential conflict of interest.

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