
REGIONAL FINANCIAL MANAGEMENT AUTHORITY IN REALIZING GOOD GOVERNANCE PRINCIPLES

Harry Firmansyah¹, Atma Suganda², Mardi Candra³

Jayabaya University Postgraduate Legal Studies Program

Jl. South Pulomas Kav. No.23, East Jakarta, Jakarta

e-mail: Haryfirmansyah@aol.com

ABSTRACT

The paper aims to explore the implementation of the regional financial management authority with good governance principles in Jakarta province. This study employs the normative legal method with “a statutory and conceptual approach.” we use authority and regional financial management theory to analyze this topic. The research finds (1) the implementation of good governance in regional financial management can be achieved by achieving a good state and synergy between “the government, the private sector, and civil society in the management of natural, social, environmental, and economic resources;” (2) legal regulation on the principles of good governance, namely with good financial management, making every income and expenditure of the budget can be accounted for financially.

Keywords: Authority, Implementation, Regulation, good governance

INTRODUCTION

Regional finance is “people's money” collected by the people and used for the benefit of “the people”. Good regional financial management is very important so that state funds can be used effectively and efficiently for development. Balanced delegation of authority to state/regional financial administrators is an example of good state financial management.

Ruggie (2018) states that authority is “The legal power of the right to govern or act; the right and power of public officials to demand compliance with their lawfully issued orders within the scope of their public duties.” Ridwan (2018) states that “authority in law, authority means rights and obligations (rechten en plichten).” Regional finances are “all regional rights and obligations in the context of administering regional government which can be valued in money and all forms of wealth that can be used as regional property in connection with the rights and obligations of the region.” (P, 2019) Regional finances are “all rights and obligations regions in the context of administering regional government which can be valued in money and all forms of wealth that can be used as regional property in connection with the rights and obligations of the region. Meanwhile, regional financial management is “all activities that include planning, budgeting, implementation, administration, reporting, accountability, and supervision of regional finances” (Regulation, 2019).

Based on relevant research, researchers have not found a study that focuses on the issue of regional financial management authority in realizing the principles of good governance in the Regional Government of DKI Jakarta Province. However, there are several studies that are relevant enough to be mentioned in this context. For example, Muharam (2016) examined “the concept of authority in controlling the implementation of regional revenue and expenditure budgets,” with the findings “in carrying out its function as a Regional Financial Management Officer (PPKD related to the Implementation of Regional Revenue and Expenditure Plans (APBD) such as Regional Apparatus Work Units). (SKPD) by conducting socialization by conveying management estimates communicatively to each Regional Work Unit (SKPD).” Furthermore, Nurhadianto and Khamisah (2019) studied “transparency in regional financial management in district/city governments in Lampung Province,” with the results the findings “the average level of financial management transparency in district/city governments in Lampung Province is still in the category of little or not transparent enough.”

Some of the studies above do not focus on the issue of regional financial management authority with the principles of good governance. Therefore, the researcher intends to examine: “Local Financial Management Authority in Realizing the Principles of Good Governance” with the objectives of (1) “analyzing the implementation of regional financial management authority in realizing the principles of good governance;” and (2) “analyzing the legal arrangements regarding the authority of regional financial management in the context of realizing the principles of good governance.”

In constitutional law, authority is referred to as “rechtsmacht.” In the realm of public law, there is little difference between authority and power. Power “derives from that which is conferred by law or legislature, whereas authority only concerns a certain part of the authority.” (Hadjon, 2011). Authority in the power of regional financial management is commonly called competence. According to Latif et al. (2019) divides authority into three parts, namely: (1) “influence, the use of authority aims to control the behavior of legal subjects”; (2) “legal basis, authority is based on clear law”; and (3) “legal conformity,

authority has clear standards." Juridically, authority is "the ability given by laws and regulations to carry out actions that have legal consequences" (Indroharto, 2002).

This authority is bound by "written or unwritten" law, which is referred to as unwritten law in Indonesian government law as "general principles of good governance (principles of good governance)" in accordance with the "explanation of Article 4 letter a of Law Number 37 of 2008 concerning the Ombudsman," which reads: "The rule of law is a state which in all aspects of community, national and state life, including the administration of government, must be based on law and general principles of good governance aimed at improving a prosperous, just and equitable democratic life. and take responsibility." (Law, 2008).

As previously stated, authority in public law refers to power. The government has formal powers, namely, the judiciary and the legislature. Power has the same meaning as authority. Power is an important component in the administration of a country's government. Power is defined as the capacity of individuals or groups to carry out their will despite the opposition of other parties.

Authority is based on existing legal (constitutional) requirements. Sources of authority assist officials in making decisions, namely (1) attributive authority, "the granting of government authority by legislators to government organs;" and (2) non-attributive authority, "the granting of government authority by legislators to government organs." In other words, "authority is attached to the position." This attribute is indicated by "the authority of the government organ in carrying out its government" based on the authority determined by the legislator in reviewing the legislation. This attribute refers to the highest power established by the constitution/constitution or statutory regulations.

Non-attributive authority is "authority that is obtained due to the delegation of authority from other officials." Non-attribute powers are incidental and terminate when the competent authority withdraws them. The delegation of some official authority "from superiors to subordinates assists in carrying out his obligations to act alone." As long as the applicable laws and regulations do not specify it, this delegation of responsibilities is designed to assist the smooth functioning of activities, and regular communication flows responsibly.

The authority of Regional Financial Management is regulated by "Law Number 23 of 2014 concerning Regional Government." Furthermore, the provisions of "Article 293 and Article 330 of Law Number 23 of 2014 concerning Regional Government" provide a mandate to regulate Regional Financial Management with "Law Number 12 of 2019 concerning Regional Financial Management." Latif et al. (2019) defines Regional Financial Management as "all activities that include planning, budgeting, implementation, administration, reporting, accountability, and supervision of Regional Finances."

"Government Regulation of the Republic of Indonesia Number 12 of 2019 concerning Regional Financial Management." The legal basis for "Government Regulation Number 12 of 2019 concerning the Authority for Regional Financial Management" are: (1) "Article 5 paragraph (2) of the 1945 Constitution of the Republic of Indonesia"; (2) "Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments;" and (3) "Law Number 23 of 2014 concerning Regional Government" as has been amended several times, most recently by "Law Number 9 of 2015 concerning Amendments."

METHOD

The author uses "normative juridical method" in this study. Normative legal research is "legal research conducted by examining primary legal materials, secondary legal materials and tertiary legal materials" (Soekanto and Mamudji, 2015). This approach is based on: Law and case approach (Purwati, 2020). This study analyzes legal materials using deductive and inductive analysis, Purwati (2020) states that "by reviewing all data collected from primary, secondary, and tertiary sources, both in the form of laws and regulations, as well as legal rules for regional financial management authority in realizing principles of good governance" related to research problems, to then be applied in analyzing the problem from general to specific, or vice versa, with this analysis in the form of statements and statutory provisions.

RESULTS AND DISCUSSION

DKI Jakarta Regional Government is one of the tools in the government administration system. Administrative authority in an area smaller than a nation whose Indonesian state is a country whose territory is divided into provincial areas is called regional government. The Regional Government of DKI Jakarta consists of five administrative cities and one district, each of which is regulated by law.

RESULTS

The implementation of the Regional Financial Management Authority and the laws and regulations raises essential questions about the principles of good governance of the DKI Jakarta Government. Of course, determining or imposing obstacles to the implementation of regional financial

management authority is difficult. However, to apply the principles of good governance in the DKI Jakarta Government, it is necessary to set limits on authority and laws and regulations.

Andreou et al. (2014) incorporate principles similar to those of the United Nations and incorporate integration, capability and adaptability as necessary considerations for financial management. Therefore, the authors use the principles proposed by Andreou et al for good governance in the management of public finances ("capability, accountability, legitimacy, fairness, inclusivity, transparency") and include two additional principles "performance and strategic vision."

The implementation of Good Governance cannot be separated from talking to the legitimate government in accordance with the provisions of the "Government Administration Law Number 30 of 2014 concerning Government Administration." Regional Government is "government organizational units authorized to organize all local interests of a group that inhabits an area led by the head of the regional government" (Tjandra, 2018).

DISCUSSION

The implementation of the Regional Financial Management Authority and statutory regulations brings up an important question regarding the principles of good governance that have occurred in the DKI Jakarta Government actually being realized. Of course, it is not an easy matter to determine or limit the implementation of regional financial management authority. However, it is very important to determine the limits of what is called the authority and legislation in realizing the principles of good governance in the DKI Jakarta Government.

Implementation of Regional Financial Management Authority with good governance principles

The legal aspects of good governance as contained in "Law No. 28 of 1999 concerning State Administrators that are Clean and Free from Corruption, Collusion and Nepotism" (Law, 1999) is a concept that underlies good governance. A number of principles of regional financial management in the Province of the Capital Region of Jakarta that underlie good governance.

In essence, the application of the principle of accountability in regional financial management in the Special Capital Region of Jakarta focuses more on determining each activity or activity, and the final result of regional financial management must be accounted for in accordance with legal norms contained in various applicable provisions (positive law). Laws and regulations. However, it was found that the principle of accountability in regional financial management has not been implemented properly in the Province of the Special Capital Region of Jakarta.

Regional financial management has a broad impact and will have a major impact on the role of local governments in achieving regional autonomy. The logical result of the implementation of regional autonomy resulted in changes in regional financial management. Among these developments is the need for budget reform, including the process of "budget preparation, approval, implementation and accountability" (Mardiasmo, 2012).

Financial transparency was first mentioned in the "Law 17 of 2003 concerning State Finance" which states that

"One of the concrete efforts to realize transparency and accountability in the management of state finances is the submission of a government financial accountability report that meets the principles on time and is prepared in accordance with generally accepted government accounting standards." (Law, 2008)

Media and public policy experts are very concerned about financial transparency in DKI Jakarta Province. This is possible due to four factors: (1) "the findings of the BPK examination are open to citizens' access"; (2) "lack of consistency in imposing sanctions on officials who have been found guilty." (3) "discussions and disputes between DKI Jakarta officials in the mass media;" and (4) "poverty which is considered not to have been touched significantly while the Special Autonomy Fund will end soon." (Mastur, 2008)

Many people believe that the Otsus money is not managed properly because they see poverty that has not been handled by the local government. In principle, 'legal certainty is one of the objectives of the law, while the objectives of the law can be realized through the implementation of law enforcement.' Mastur (2008) provides a clear basis for "regulating regional financial management and accountability," including giving the power to determine regulatory products in the form of (a) "stipulations on the principles of regional financial management;" (b) "regional financial management systems and procedures are regulated by a Regional Head Decree in accordance with the said Regional Regulation;" (c) "The regional head submits an accountability report to the DPRD regarding regional financial management and regional financial performance in terms of financial efficiency and effectiveness;" and (d) "the regional financial accountability report is a regional document so that it can be known by the public." According to number 17 of 2003, the Government of the Special Capital City Region of Jakarta manages regional finances through Regional Regulations and Governor Regulations,

namely "Provincial Regulation of the Special Capital City Region of Jakarta Number 5 of 2016 concerning Principles of Regional Financial Management" (Regulation, 2016).

Legal arrangements regarding the authority of regional financial management in the principles of good governance

The legal regulation of regional financial management authority is stated in the Regional Head regulation regarding systems and procedures in the DKI Jakarta Government, based on the Minister of Home Affairs Regulation Number 77 of 2020 concerning Technical Guidelines for Regional Financial Management in article (3) it is explained that the Regional Regulation on Regional Financial Management, determined no later than 2022. Expenditure systems and procedures consist of: Systems and procedures for compiling and ratifying Budget Implementation Documents (DPA)- SKPD, Systems and procedures for compiling and ratifying Budget Implementation Documents (DPA)-PPKD, Systems and procedures for drafting and ratification of Advanced Budget Implementation Documents (DPA)-SKPD, System and procedures for Budget Change Implementation Documents (DPPA)- SKPD, Systems and procedures for Budget Change Implementation Documents (DPPA)- PPKD, Cash budget systems and procedures, Systems and procedures for making provision of funds, Systems and procedures for submitting a letter of request for the payer ran, Systems and procedures for issuing orders to pay (SPM), Systems and procedures for issuing warrants for disbursement of funds (SP2D), Systems and procedures for the implementation of spending money supplies (UP), Systems and procedures for making letters of accountability (SPJ) expenditures, and Systems and procedures for making a letter of responsibility (SPJ) for assistant expenses, systems and procedures are regulated in the regional head regulation.

State and regional financial management must be carried out in a professional, honest and responsible manner to support good governance in the administration of the state, in accordance with the main principles contained in the 1945 Constitution. The basic norms of state and regional finance have been codified as principles general, covering "principles of state or regional financial management, such as the annual principle, universality principle, unity principle, and specialist principle as well as new principles as a reflection of the application of good principles in the management of state finances." (Law, 2003).

Conclusion

1. Implementation of regional financial management authority in realizing the "principles of good governance." The implementation of regional finance can realize "good governance" because the concept of "good governance" in regional financial management can be achieved by strong governance and collaboration between the government, the private sector, and civil society in managing "natural, social, environmental, and economic resources". " Transparency, accountability, participation, legal empowerment, effectiveness and efficiency, and justice are the minimum for good governance. Government policies must be clear, effective, and efficient and able to answer basic justice provisions. As part of good state governance, community interaction must occur at all levels of decision-making.

2. Legal arrangements regarding the authority of regional financial management in the context of realizing the "principles of good governance", namely with good financial management making budget revenues and expenditures fiscally accountable. As a result, good financial management will result in public accountability. The broader concept of public accountability is public service, and public accountability seeks to realize the public interest. Individual well-being is based on responsible behavior to build good governance. Therefore, compliance with the above principles is always maintained and disseminated to government officials, state financial managers, and related parties.

REFERENCES

1. Andreou, P. C., Louca, C., & Panayides, P. M. (2014). Corporate governance, financial management decisions and firm performance: Evidence from the maritime industry. *Transportation Research Part E: Logistics and Transportation Review*, 63, 59–78. <https://doi.org/10.1016/j.tre.2014.01.005>
2. Hadjon, P.M. (2011). Authority (Paper from Universitas Airlangga, Surabaya).
3. Indroharto. (2002). *Efforts to Understand State Administrative Courts*. Sinar Harapan Library, Jakarta.
4. Ministry. SE MDN No. 900/316/BAKD dated April 5, 2007 regarding Guidelines for Systems and Procedures for Administration and Accounting, Reporting and Accountability of Regional Finances. (2007).
5. Latif, A., Andriyana, R., Rosada, K., Maulana, H., & Cakra, A. H. (2019). *Regional Financial Management Smart Book*. Directorate General of Regional Financial Development, Ministry of Home Affairs, Jakarta.
6. Mardiasmo. (2012). *Public sector accounting*. Andy, Yogyakarta.

7. Mastur, M. (2008). Collective Marks as an Alternative to Joint Brand Protection to Reduce the Level of Business Competition (Brand Study UNIVERSITAS DIPONEGORO. Retrieved from <http://eprints.undip.ac.id/18141>
8. Muharam, N. (2016). Journal of Legal Studies. Authority of the Regional Financial Management Agency in Controlling the Implementation of Regional Revenue and Expenditure Budgets (Study on the Tulang Bawang Local Government), 10(1), 24–43.
9. Nurhadianto, T., & Khamisah, N. (2019). Transparency Analysis of Regional Financial Management: An Empirical Study on District/City Local Governments in Lampung Province. *TECHNOBIZ: International Journal of Business*, 2(2), 70. <https://doi.org/10.33365/tb.v3i2.453>
10. Government Regulation Number 12 of 2019 concerning Regional Financial Management, Pub. L. No. 12 (2019).
11. Regulation. Regional Regulation of the Province of the Special Capital City Region of Jakarta Number 5 of 2016 concerning the Establishment and Composition of the Regional Apparatus of the Province of the Special Capital Region of Jakarta (2016).
12. Regulation. Government Regulation of the Republic of Indonesia Number 12 of 2019 concerning Regional Financial Management (2019).
13. Purwati, A. (2020). Legal Research Methods: Theory and Practice. Jakad Media Publishing, Jakarta.
14. Ridwan. (2018). State Administrative Law (Print to). RajaGrafindo Persada. Jakarta.
15. Ruggie, J. G. (2018). Multinationals as global institutions: Power, authority and relative autonomy. *Regulation and Governance*, 12(3), 317–333. <https://doi.org/10.1111/rego.12154>
16. Soekanto, S., & Mamudji, S. (2015). Normative legal research: a brief overview (Print to). Jakarta: Rajawali Press.
17. Tjandra, R. (2018). State Administrative Law. Sinar Graphics, Bandung,.
18. Constitution. 1945 Constitution (2003).
19. Constitution. Law of the Republic of Indonesia Number 37 of 2008 concerning the Ombudsman of the Republic of Indonesia, 53 *Journal of Chemical Information and Modeling* (2008).
20. Constitution. Law of the Republic of Indonesia Number 28 of 1999 concerning the Implementation of a State that is Clean and Free from Corruption, Collusion and Nepotism, Pub. L. No. 28, 1 (1999).