

## GOOD GOVERNANCE: FINANCIAL MANAGEMENT OF CENTRAL AND REGIONAL GOVERNMENT

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### Abstract

In efforts to increase financial transparency and accountability, central and regional governments have a crucial role to play. Transparency and accountability are important principles in conducting good governance as they can both increase public confidence as well as the efficiency and efficiency of budget use. This research uses qualitative methods that are descriptive in nature, one of which is the study of literature or library research so that this research is obtained from relevant books and sources. The aim of this study is to know the transparency and accountability of the financial governance system of the central government and the region in Indonesia and efforts to improve the transparency and responsibility of financial management of central and regional governments. The results of this research show that in improving transparency of public information, there is a need to monitor the activities of the government, transparency of the regional budget, socialization of service programmes, and cooperation with the CPC. Transparency and accounting can be said well and in accordance with the expectations of the public if they can implement such improvement efforts. It is therefore hoped that the local and central governments will be able to carry out such work in order to establish a good financial governance system.

**Keywords:** Accountability, Financial Governance, Transparency

### A. INTRODUCTION

In an era of increasing decentralization, transparency and accountability have become two main pillars to ensure good governance between central and regional governments. It is stated that the president is the head of state and head of government. Regional and central governments are currently trying to maintain transparency and accountability in the use of the national budget so that resource management can be right on target in the NKRI government system in the 1945 Constitution.

To control management policies, regional financial management principles are needed, including transparency and accountability in order to achieve prosperous government governance. The voice of the people and the public's interest in financial transparency, efforts to create horizontal responsibility between public organizations such as the community and local government, have an important role and position in trying to achieve good and responsive local government.

In terms of the objectives of the Public Information Openness Law (KIP), it is stated that openness of public information is greatly influenced by community involvement in the decision-making process. In today's era of globalization, public transparency is very important for society. Without the dissemination of information, it is difficult to know what happened. (Engkus et al., 2019) So the public must pay attention to how the government manages

accountability and transparency between regional and central management so that it can provide benefits for Indonesia. The purpose of this article is to examine efforts to increase financial transparency and accountability in regional and central government management relations in order to find the right solution.

From the problem formulation above, it can be concluded as follows: 1) How transparent is accountability in financial governance in regional and central governments? 2) How are efforts to increase financial accountability and transparency between regional and central governments? Therefore, the objectives of this research include several of them: (1) To describe and determine transparency and accountability in the way regional and central government relations are managed; (2) To identify and describe efforts to increase financial transparency and accountability of regional and central governments.

## **B. LITERATURE REVIEW**

### **Government Governance**

Good governance is the most important aspect in efforts to achieve sustainable and inclusive development. Transparent, accountable, responsive and participatory government is the main foundation that can ensure the implementation of government functions effectively and efficiently. Governance or also known as good governance is all things related to actions or actions that have the nature of directing, controlling or influencing public affairs to realize these values in everyday life (Sedarmayanti, 2003)

"good" means "good", "governance" means "governance". According to the State Administration Institute in (Sedarmayanti, 2003) good in the sentence good governance has 2 meanings, namely: a) High value based on the will and desires of the people and value that can improve the people's abilities in order to achieve national goals for social justice as well as independent development. sustainable. b) Functional aspects of government that are efficient, effective and accountable in carrying out tasks to achieve this.

The Secretariat of the National Policy Development Team discussed good governance, stating in (Bappenas, 2008) that good governance means good government management. Good governance is a conception of government administration, good governance is also an idea and value for regulating the pattern of relations between government, society and the private business world.

Good governance as the administration of state government that is solid, precise, and responsible as well as efficient and effective by maintaining "synergy" and constructive interaction coordination between the state domain, the private sector and society is expressed from the State Administration Institute (Meonek, R & Suwanda, 2019 ) according to Andrianto in (Meonek, R & Suwanda, 2019) is simply defined as government procedures for good management. This is what is meant and understood by the word "good" here, namely following certain rules in accordance with the basic principles of good governance in Indonesia.

According to Mardiasmo in (Meonek, R & Suwanda, 2019) good governance is a concept based on a good public sector development orientation from the government to ensure matters related to good development management for the principles of good efficiency and others administratively and politically.

Implementing an appropriate management system leads to a balanced relationship between the community and the government. The existing elements must understand each other and know the activities carried out and held by the actors with space for dialogue so that each other knows the differences that exist. Coordination and agreement in the implementation of good governance programs among the people will grow with this realization. (Basyar, A et al., 2022)

It can be concluded that good governance is a concept that emphasizes transparent, accountable, responsive and participatory government to achieve sustainable and inclusive development. Good governance includes effective and efficient government management, upholding the will of the people, and supporting independent development and social justice. Governance involves the act of directing, controlling, and influencing public affairs, as well as regulating the relationships between government, the private sector, and society.

### **Transparency**

Regional Financial Management Transparency is also referred to as a principle for openness which allows the people to know and have access to a lot of information about regional finances according to government regulation Number 12 of 2019. According to (Coryanata, 2012) Transparency is built on free information, all government processes, institutions, and information must be accessed from parties who have an important role and the information provided is mandatory and must be sufficient so that it can be monitored and understood.

This transparency is also interpreted as having an open policy by supervision. Meanwhile, information is information about aspects of government policy that can be accessed by the public. It is hoped that openness of information will create competition in good politics, respect for differences, and then policies will be made based on public preferences. (Tamara, C. A., & Konde, 2016).

Transparency, namely: "Government openness in providing information relating to public resource management activities to various parties who need information. The government has an obligation to provide financial information and other information used for decision making by various interested parties" (Mardiasmo, 2018). It can be concluded that transparency is openness in accessing information. Transparency in government is very necessary for government openness in financial management.

### **Accountability**

Accountability or accountability means responsibility/being held accountable or a situation to be held accountable. Accountability is a function of all component drivers of the company's activities based on their authority and duties.

(Waluyo, 2007) defines accountability as a condition that is responsible, accountable and accountable. The meaning of accountability is: First, being accountable of course, then being able to answer to superiors as humans should live for God. Second, something that can be calculated or accounted for. Third, they have the ability to be explicitly accountable.

(Hasniati, 2016) states that accountability has the meaning of implementing the obligations of village government officials to be accountable for the management of village funds in order to achieve predetermined goals so that they are carried out economically, effectively and efficiently.

It can be concluded that accountability is a concept that refers to the obligation to account for actions and decisions to interested parties, namely state and regional officials. Every state and regional official must act in accordance with his duties and authority, and be ready to provide reports regarding his performance. Accountability includes the ability to explain actions explicitly, ensure that they are accountable, and meet societal norms and values and public needs.

### **State/Regional Finance**

State financial administration is an attempt to regulate how a group of governments work together to handle financial problems. The relevant laws in the financial sector must determine the regulations that apply to the government or country. (Anggara, 2016).

Regional finance includes many regional policy and institutional structures, including budget expenditures and revenues. Includes regional obligations and rights that can be

assessed in monetary terms and everything that the region can have for that realization. Regional rights include collecting regional taxes, obtaining loans, and collecting regional levies. (Machmud et al., 2014)

State finances are all state obligations and rights that can be assessed in monetary terms with everything related to the administration and implementation of those rights and obligations, whether in the form of money or goods according to UUD No. 17 of 2003.

Regional finance includes all regional obligations and rights for government implementation which can be valued in the form of money, including all matters regarding wealth regarding these obligations and rights. Regional and state financial management covers all activities, including administration, implementation, supervision, reporting, planning, regional and state financial accountability according to PP No. 58 of 2005 concerning Regional Financial Management.

### **C. RESEARCH METHODOLOGY**

This research uses descriptive qualitative research methods. Qualitative approach research is a research method that focuses on gaining an in-depth understanding of a problem rather than studying it in general. This research method prioritizes in-depth analysis techniques that study problems on a case-by-case basis (Siyoto .S & Sodik .A, 2015). This is because qualitative methodology assumes that the nature of a problem is different from the nature of other problems.

In this research, data was collected using the literature study method by collecting relevant and credible sources for the research topic to be observed in depth, such as from statutory regulations, journals, books, and others. The collected data is then processed by carrying out in-depth descriptive analysis to explain the problems that occur, so that research results are found which are presented in the form of articles. This research was conducted in the period 26 February to 29 June 2024.

### **D. RESULT AND DISCUSSION**

#### **Financial Transparency and Accountability in the Implementation of Central and Regional Government Governance Relations**

The regional and central governments have a relationship in accordance with the guidelines and authority of each regional autonomy and the principles of decentralization. The functional relationship between regional and central government creates a complementary authority. To create an efficient and effective allocation of national resources, of course the way of managing financial relations between regional and central governments needs to be regulated appropriately to foster a harmonious, accountable and fair government based on the 1945 Constitution of the Republic of Indonesia and Pancasila.

The President stipulated Law 2022 Number 1 concerning Financial Relations between Regional and Central Governments on January 5 2022. Its scope, as in Article 2, includes: 1) Implementation of national fiscal policy synergy. 2) Management of regional expenditure. 3) Management of transfers to regions. 4) Regional financing for granting authority. 5) Providing regional revenue sources in the form of taxes and levies. And the principles of funding for government implementation are related to finances between regional and central governments as in Article 3, namely: 1) the implementation of government affairs which fall under the authority of the Regions is funded at the expense of the APBD; and 2) the implementation of a Government affair which is within the authority of the Regional Government is funded from and at the expense of the APBN.

"One of the general principles of public administration is the principle of openness" is stated in Article 20 of Law Number 32 of 2004. It reads "Apart from the obligations specified

in paragraph 1, regional leaders have the obligation to submit to the government accountability reports regarding the implementation of regional government and responsibility to the DPRD and reporting to the community." It is stated in article 27 paragraph 2. The implementation of a national regional economic information system, one of which is the presentation of national information, open information that can be accessed by the public, is required by Regional Government No. 33 of 2004. Then, it is stated in Law Number 17 of 2003 article 6 paragraph 2 that the central government is the principal who delegates authority and sends financial resources to regional governments with the aim of improving public services, regional competitiveness and community welfare.

Information regarding regional economic system information includes a) regional balance sheets b) APBD and district, city and provincial implementation reports. c) notes attached to regional financial reports d) cash flow reports e) Deconcentration funds and co-administration funds f) Information regarding local government funding and funding capacity needs; and g) Regional company financial reports. The information that must be disclosed by public bodies is Financial Reports and Information Monitoring. Apart from that, article 13 states that financial information includes information that must be available with the contents of public sector budget bodies in general, as well as public and special body units and their financial reports. For example, the Provincial Government provides documents and information regarding (RKA), namely work plans and budgets for regional work units and RAPBD documents stated in Law no. Article 14 Openness of Public Information 2008.

At the accountability stage in the budget, especially at the regional government level, financial transparency is generally lower. This can be seen from the inaccessibility of the ILPPD Regional Government Accountability Reporting Information Preparation document at the budget reporting stage. Other reports state that it is more or less difficult to implement transparency, especially in regional economies where the results of testing the availability of public information are reported after the passing of the Law on Openness of Public Information. The most common is a request for information regarding records regarding regional finances related to the APBD and similar documents. In fact, most reject requests for information without a clear explanation or statement.

Even though the government has issued various regulations regarding the duties of government agencies, including government officials, to proactively provide data information to the people, in practice the public can only receive this information if they submit a letter of application. Often it also takes quite a long time to implement. is that not all transparent regulations contain sanctions. The provision of legal sanctions when public officials do not want to be transparent creates a dilemma. Third, the unclear limits of financial transparency consequently refer to to what extent and in what form public authorities must communicate ownership data information. The final obstacle is the low level of public awareness regarding their rights, obligations and rights regarding access to information. If these inhibiting factors are summarized, they are due to the nature of the organization, behavioral factors, political factors, institutional factors. (Jubaedah, 2011)

Efforts to increase transparency and accountability in government financial management are carried out by producing reports that are accountable, timely and in accordance with government accounting standards. According to Law Number 17 of 2003, the implementation of the APBN mandates the submission of accountability reports in the form of at least financial reports containing statutory information such as annual reports, budget implementation reports and balance sheets.

In accordance with Government Accounting Standards, government financial reports that have been examined by the Financial Audit Agency must be submitted to the DPR within six months after the end of the relevant fiscal year. In the APBN Law, the Minister or head of the

institution as the household user/user of goods has the responsibility to implement policies that have benefits and consequences.

The 2003 APBN Law Number 17 mandates that organizational units of state ministries or institutions that carry out activities as intended in this law be punished. Applicable to ministers and heads of institutions as well as heads of organizational units of state ministries and institutions who clearly deviate from the policies and activities regulated in the APBN Law. It is certain that the APBN Law will be followed up with these sanctions provisions which are preventive and repressive in nature.

### **Efforts to Increase Financial Transparency and Accountability in the Implementation of Central and Regional Government Governance Relations**

The government has long attempted to increase accountability and transparency in state financial management by completing an accounting and financial reporting system. The government has also succeeded in compiling the State General Treasurer's Financial Report since 2008 and continues every year. This report is very important as a comparison between the finance minister's cash book and the budget user cash book held by the State Ministry/Institution, the result of which is that the current recording difference between the two is getting smaller. Apart from that, other efforts and measures that have been made include improving the state revenue system and controlling 'illegal accounts', including controlling assets (State Property) or increasing the competence of Ministries or Institutions in preparing Financial Reports.

Efforts to increase government financial transparency through effective strategies have become a major focus in recent years. Transparency of government finances is very important to increase accountability, trust and quality of public services. The following are some of the efforts that have been made to increase government financial transparency:

#### **Openness of Public Information**

The government has made various policies relating to the need for government agencies to proactively convey data and information to the public. Open financial reports can be provided through a data website portal that can be accessed by the public. However, in practice, some agencies require the public to submit a letter of application before they can obtain this information, which sometimes takes quite a long time to fulfill. Apart from that, the government also needs to publish financial reports periodically, for example every quarter or yearly, in a format that is easy for the public to understand. This openness of public information is very important to increase public trust in the government and ensure that the government acts with transparency and accountability.

#### **Supervision of Government Activities**

Oversight of government activities is an important factor in increasing financial transparency. The government must ensure that government activities can be known and monitored by the DPRD and the public. As stated in Article 153 of Law No. 23 of 2014, the Regency/City Regional People's Representative Council (DPRD) has a supervisory function over the regional budget. The function of monitoring the DPRD's budget is strategic political in nature regarding achieving government goals and regional development in general to determine whether these activities are successful, failed, or deviated from the plan. Apart from that, the Financial Supervisory Agency (BPK) does not escape its supervisory role.

The BPK has an oversight role, namely to ensure that government elements can implement good state financial governance and comply with applicable laws and regulations. The BPK plays a role in preventing criminal acts of corruption and misuse of state finances. Therefore, good coordination between the two institutions is needed so that the supervisory function can run well. In this way, the public can monitor how the government uses the budget

and ensure that the use of the budget is in accordance with the goals and interests of the community.

### **Regional Budget Transparency**

It is very important for Regional Governments to have transparent regional budgets because it is a measure of how well Regional Governments can realize Public Information Openness in the field of regional finance. Apart from that, regional budget transparency can minimize deviant actions such as Corruption Collusion Nepotism (KKN). Transparency of regional budgets also allows the public to monitor how regional budgets are used in accordance with previously established objectives.

### **Service Program Socialization**

Socialization of administrative system service programs and village financial management systems can help increase transparency and accountability in village financial management. Cooperative participatory methods can be used to increase community participation in village financial management. In this way, the community can participate more actively in monitoring and supervising village financial management, as well as ensuring that village financial management is in line with community goals and interests.

### **Collaboration with the Corruption Eradication Commission (KPK)**

The government can collaborate with the Corruption Eradication Committee (KPK) to create a 'Memorandum of Understanding/MoU) related to overcoming corruption. Thus, collaboration with the Corruption Eradication Commission can help increase transparency and accountability in government financial management, as well as avoid corrupt government practices. Apart from that, efforts to realize transparency and accountability in the management of state money can be done by submitting government Financial Accountability Reports that meet the principles of being on time and prepared in accordance with government accounting standards.

This is regulated by Law No. 17 of 2003, namely concerning state finances, which requires that the form and content of accountability reports for the implementation of the APBN/APBD be prepared and presented in accordance with government accounting standards that have been determined by government regulations. According to this Law, accountability reports for the implementation of the APBN/APBD must be made in the form of financial reports prepared in accordance with government accounting standards and consisting of budget realization reports, balance sheets, cash flow reports, and records of central and regional government financial reports that have been audited. by the Financial Audit Agency (BPK) which must be submitted to the House of Representatives (DPR) no later than six months after the end of the relevant fiscal year. To improve financial governance in government, budgeting system reform, accounting system reform, government system reform and financial management system reform can also be carried out. System updates can be carried out so that financial management is carried out transparently based on the value for money concept so as to create public accountability..

## **E. CONCLUSIONS**

The functional relationship between regional and central government creates an authority that complements one another. The scope of financial relations between regional and central governments in accordance with Article 2 includes: 1) Division of regional revenue sources in the form of taxes and levies 2) Management of sender transfers to regions 3) Management of expenditure for regional needs 4) Granting authority to carry out regional financing 5 ) Implementation of a national fiscal policy activity.

Then, the principle of funding for the administration of government affairs within the framework of the relationship between regional government and central government as in

Article 3, namely: a) Implementation of government affairs which is a regional authority funded from and at the expense of the Regional Revenue and Expenditure Budget b) Implementation of government affairs which becomes a government authority in dawrah which is funded from and at the expense of the State Revenue and Expenditure Budget.

The development of this concept is influenced by problems that exist in private and public organizations and is in line with the development of the concept of good governance. This concept is also said to be an important aspect of proper government governance. Article 20 Law no. 32 of 2004 states "One of the general principles of public administration is the principle of openness", Article 27 paragraph 2 reads "In addition to the obligation to convey to the regional government and its responsibilities to the DPRD and report to the public."

Several factors that hinder the implementation of the principle of transparency in regional government administration are first, weak commitment, ability and understanding of officials in implementing transparency. It can be seen that even though the government has issued various regulations regarding the duties of government agencies, including government officials, to proactively provide data and information to the people, in practice the public can only receive this information if they submit a letter of application, which often takes quite a long time to implement. The second factor is that not all regulations for accountability and transparency in managing state finances, submission of financial accountability reports must be prepared based on generally accepted government accounting standards and must comply with the principle of being on time. It is stipulated that accountability reporting for the implementation of the APBN must be submitted in the form of a financial report which at least consists of a balance sheet realization report, budget, notes on financial reports prepared in accordance with government accounting standards in Law Number 17 of 2003 and a cash flow report.

It is hoped that readers of this research will increase their knowledge regarding the current condition of financial transparency and accountability in central and regional governments as well as efforts to increase financial transparency and accountability in central and regional governments. The results of this research are not perfect, therefore for further research it is necessary to develop more research variables, use stronger methods, and increase information in conducting research either through interviews or direct observation so that the results of data analysis are more accurate so as to produce valid data.

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