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REVIEW ARTICLE

REGIONAL FINANCIAL TRANSPARENCY
TOWARDS INDEPENDENCE OF
DEVELOPMENT AND GOOD GOVERNANCE

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ABSTRACT

The development of technology makes the era of information openness become one of crucial issues, especially in modern technology and globalization. The modernization and globalization also affected to government management which the e-government system is one of the obligatory things. This research analyzed and describe a comprehensive picture concerning to transparency in regional financial sectors. This research tried to seek how the implementation of regional financial transparency can support the concept of good governance in Indonesia. The research emphasized that on implementing the financial transparency, the community roles have a strategic position, as well as for NGOs and community groups. They directly affected to the successful of financial transparency in regional.

Keywords: Regional Transparency; Financial Transparency; Good Governance; E-Government; Regional

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INTRODUCTION

One element of reform is the granting of broad autonomy to district or city areas. The essence of autonomy is nothing but the independence or freedom of the region to regulate itself (*selfregeling*) or (*zelfwetgeving*) and carry out its affairs and interests based on initiatives and initiatives and aspirations of local communities. Thus, regions that are granted autonomy on their own initiative can take care of their households by carrying out regional regulations that may not conflict with the state constitution and higher

legislation and do not conflict with the public interest or national interest¹. One of the post-reform bureaucracy reforms is the authority to conduct financial management in each region. In Indonesia, matters relating to the process of state revenue and expenditure are regulated in the 1945 Constitution of the Republic of Indonesia, namely in the formulation of the provisions of Article 23 and its amendments².

In the meaning of the viewpoint of life has implications for state finances in the context of achieving state goals. The goals of the Indonesian state are listed in the opening of the 1945 Constitution of the Republic of Indonesia in the fourth paragraph is to protect all Indonesians and all Indonesian blood, promote public welfare, educate the nation's life, and participate in carrying out world order based on independence, eternal peace, and social justice. To obtain state finances as a form of financing for state objectives, it must remain within the legal framework permitted by the 1945 Constitution of the Republic of Indonesia³. On the other hands the contribution of regional autonomy has brought significant changes in governance in Indonesia. Regional autonomy is the essence of decentralized governance. Autonomy comes from the Greek language, which is *autos* which means itself and *nomos* which means Law.

According to Bagir Manan, broad autonomy can depart from the principle of all government affairs basically becoming regional household affairs, except those determined as central affairs. In a modern state, especially when associated with the understanding of the welfare state, government affairs cannot be recognized in number⁴. In Law Number 23 of 2014 concerning Regional Government Article 1 Paragraph (6), it is stated that Regional Autonomy is the right, authority and obligation of autonomous regions to regulate and manage their own Government affairs and the interests of local communities in the Unitary State of the Republic of Indonesia system⁵.

For this reason, regional finances must be managed in an orderly manner, obeying the laws and regulations, efficiently, economically,

¹ MUHAMMAD FAUZAN, HUKUM PEMERINTAHAN DAERAH KAJIAN TENTANG HUBUNGAN KEUANGAN ANTARA PUSAT DAN DAERAH 66-67 (2006).

² Financial Audit Board of Republic of Indonesia (2000).

³ The Constitution of Republic of Indonesia (1945) [hereinafter The 1945 Constitution].

⁴ NIMATUL HUDA, PROBLEMATIKA PEMBATALAN PERATURAN DAERAH 45-46 (2010).

⁵ See Republic of Indonesia, Law Number 23 of 2014 concerning Local Government [hereinafter Local Government Act (2014)].

effectively, transparently, and responsibly with due regard to justice, propriety and benefits for the community. The step is as one of the commitments to go for good government.

Demands for transparency and accountability in the government system have increased in the reform era, including transparency in the management of regional government finances. Transparency can be interpreted as a situation where the public can know clearly all policies and actions taken by the government in carrying out its functions and the resources used. While accountability can be interpreted as a form of government obligation to account for the success or failure of the implementation of the mission to achieve the goals or targets that have been set previously.

In its development, demands for transparency and accountability in regional finances always have obstacles in the field. Even though there is a policy to be transparent, there are many problems that occur in the field. In this case, the author will examine and focus on several points in regional finance. Namely (1) What is meant by Regional Finance? And (2) How is the Transparency Commitment in Regional Finances towards Regional Self-Reliance and Good Governance?

REGIONAL FINANCIAL: CONCEPTS & PRACTICES IN INDONESIA

I. REGIONAL RIGHTS IN THE CONTEXT OF REGIONAL FINANCES

The economy is very closely related to welfare and public services, in line with the development of state and government, namely the emergence of the concept of the rule of law adopted by the state in the world, especially after the second world war namely the welfare state. The concept of this state emerged as a reaction to the failure of the concept of a legal state or a night watch state⁶. Government Regulation No. 58 of 2005 concerning Regional Financial Management states that if Regional Finance is

⁶ RIDWAN HR, HUKUM ADMINISTRASI NEGARA 14-17 (2006)..

"Regional finance is all the rights and obligations of the region in the context of the administration of regional governments which can be valued in money including all forms of wealth related to the rights and obligations of the region".

Regional rights in the context of regional finance are all rights attached to the region in accordance with the laws and regulations used in the efforts of the regional government to fill the regional treasury. Regional finances are poured fully into the Regional Budget Revenue (hereinafter ac APBD). Regional Financial Management, which is the Regional Revenue and Expenditure Budget, hereinafter abbreviated as APBD, is the annual financial plan of the regional government which is discussed and agreed upon jointly by the regional government and the Regional People's Representative Assembly (hereinafter as DPRD), and determined by regional regulations. Furthermore, regional financial management is the whole activity which includes planning of implementation, administration, reporting, accountability and supervision of regional finances. In this context it is more focused on regional financial oversight carried out by the DPRD.

Meanwhile, some experts have their respective understanding related to Regional finance. Abdul Halim interprets as follows: "All rights and obligations that can be valued in money, as well as everything in the form of money or goods that can be used as regional wealth as long as it is not yet owned / controlled by the state or higher regions and other parties according to the provisions / applicable laws and regulations"⁷.

From this definition there are two things that need to be explained, namely: First, what is meant by all rights is the right to collect sources of regional revenue such as regional taxes, regional levies, results of regionally owned companies, etc., and / or the right to receive resources Other sources of revenue such as the General Allocation Fund and Special Allocation Fund in accordance with the stipulated regulations. These rights will increase regional wealth. Secondly, what is meant by all obligations is the obligation to spend money to pay bills to the regions in the context of carrying out government functions, infrastructure, public services, and economic development. These obligations will reduce regional wealth.

⁷ ABDUL HALIM, AKUNTANSI KEUANGAN DAERAH 18-20 (2008).

The emergence of rights as a result of the administration of the local government has resulted in a number of activities. This must be followed by the existence of a regional financial management system to manage it. Regional financial management as intended, is a subsystem of the state financial management system and is a key element in the administration of regional governance. To guarantee the implementation of regional financial management, a regional financial management should cover the entire planning, implementation, administration, reporting, accountability and supervision of regional financial activities. Article 18 of the 1945 Constitution states that the Unitary State of the Republic of Indonesia is divided into provincial areas and the province is divided into districts and cities. Each of these provinces, regencies and cities has regional governments, which are regulated by law.

Furthermore, in article 18 A it is explained that the financial relations, public services, utilization of natural resources and other resources between the central government and regional governments are regulated and carried out fairly and in accordance with the law. In connection with the implementation of articles 18 and 18 A above there are at least some laws and regulations which explain further. The regulations include:

- (1) Law No. 17 of 2003 concerning State Honor
- (2) Law No. 1 of 2004 concerning the State Treasury
- (3) Law No. 15 of 2003 concerning Examination of the responsibilities of managing State Finance
- (4) Law No. 25 of 2004 concerning the National Planning System
- (5) Law No. 32 of 2004 concerning Regional Government
- (6) Law No. 33 of 2004 concerning Financial Balance between Central and Regional Governments

The aforementioned law becomes a reference for regional financial management. The above laws and regulations are published based on the premise that there is a desire to manage state and regional finances effectively and efficiently. The basic idea then inspires a good governance implementation that has three main pillars, namely transparency, accountability, and participation. The large number of laws that serve as a reference in budget management results in the need for good accommodation at the implementation level (or regulations below that take the form of government regulations). Implementing regulations in the

form of Government Regulation must be comprehensive and integrated (omnibus regulation) of various laws mentioned above. This aims to facilitate the implementation and not cause multiple interpretations in its application. The regulation contains various policies related to the planning, implementation, administration and accountability of regional finances.

Discussion on the scope of regional finances includes regional rights, regional obligations, regional revenues, regional expenditures, regional assets and the wealth of other parties controlled by the region. In more detail it can be explained that the scope of regional finance includes several things namely:

- a. The right of the region to collect regional taxes and levies and make loans
- b. Regional obligation to carry out regional government affairs and pay third party bills
- c. Regional revenue is the total money that goes into the regional treasury. This understanding must be distinguished from the understanding of regional income because not all revenue is regional income. What is meant by regional income is the rights of regional governments which are recognized as adding net worth
- d. Regional expenditure is money that comes out of the regional treasury. Often the term regional expenditure is confused with regional expenditure. Referred to as regional expenditure is the obligation of regional government which is recognized as a deduction from the net worth
- e. Regional assets that are managed alone or by other parties in the form of money, securities, receivables, goods, and other rights that can be valued with money, including assets that are separated in the regional companies.
- f. Wealth of other parties controlled by the regional government in the context of carrying out the tasks of regional government and / or public interests. The State finance law explains that what is meant by other parties' assets is wealth that is managed by another person or entity based on government policy, foundations within state ministries / institutions, or state / regional companies.

As a tool to improve public welfare, the APBD is prepared by referring to budget norms and principles. The budget norms and principles are:

First, transparent and accountable. To realize good and responsible governance, transparency requirements are needed in the preparation and management of local budgets. Considering that the budget is a means of evaluating the achievement of performance and the responsibility of the government for the welfare of the community, the APBD must be able to provide clear information about the goals, objectives, results and benefits obtained by the community. All funds obtained and their use must be accounted for. Mardiasmo emphasized that transparency means the openness of the government in providing information related to public resource management activities to those who need information. The government is obliged to provide financial information and other information that will be used for decision making by interested parties⁸.

Transparency will ultimately create horizontal accountability between local government and the community so that regional government is created that is clean, effective, efficient, accountable, and responsive to the aspirations and interests of the community. Transparency is a principle that guarantees access or freedom for everyone to obtain information about

⁸ MARDIASMO, OTONOMI DAN MANAHEMEN KEUANGAN DAERAH 75-79 (2004). The Ministry of Finance of the Republic of Indonesia has even revealed that one of the challenges in regional financial management is that there are still regions that are very late in their determination. Of course, the APBD must be prepared in the public interest. The APBD cycle is also the same as the APBN cycle; there are stages of planning, budgeting, discussion and determination. Then, the second challenge and problem of regional financial management is that the majority of the APBD is spent on employee salaries. In addition, there is no standard activity program from the APBD. In fact, there is still overlap between the APBN and APBD between the Ministries and Institutions that are still carrying out functions that have actually been delegated to the regions. Even in several researches, those problems had also been emphasized as one of the important things in the management of regional finances in Indonesia. See Rafika Triana, *Akuntabilitas Pengelolaan Keuangan Daerah Pada Pemerintah Kota Bandung Yang Dipengaruhi Oleh Implementasi Sistem Akuntansi Keuangan Daerah Dan Implementasi Pengendalian Internal (Survey Pada Satuan Kerja Perangkat Daerah Pemerintah Kota Bandung)*. DISSERTATION (2019); Muhammad Ali & Maisyuri Maisyuri. *Pengaruh Desentralisasi Fiskal dan Pendapatan Asli Daerah Terhadap Kinerja Keuangan Daerah Kabupaten Aceh Utara*. 3 JURNAL AKUNTANSI DAN PEMBANGUNAN (JAKTABANGUN) STIE LHOKSEUMAWE. 41, 50-53 (2018); Dewi Rosa Indah, et al. *Kajian Kepatuhan Pemerintah Daerah atas Peraturan Perundang-undangan dalam Pengelolaan Keuangan Daerah di Aceh (Studi Kasus pada Dinas Kesehatan)*. 6 JURNAL MANAJEMEN DAN KEUANGAN. 627, 629-631 (2017); Rifka Annisa & Henny Murtini. *The Determinant of Regional Financial Information Transparency on the Official Website of Local Government*. 7 ACCOUNTING ANALYSIS JOURNAL. 43, 47-49 (2018)

the administration of government, namely information about the policy making process and its implementation and the results achieved.

Transparency is an open policy for supervision, while what is meant by information is information about every aspect of government policy that can be reached by the public. Information disclosure is expected to produce healthy, tolerant political competition and policies made based on public preferences.⁹

Openness of public information has been regulated in Law No. 14 of 2008 concerning Openness of Public Information which is a means of optimizing public oversight of the administration of the state and other public bodies and everything that results in the public interest. Management of public information is an effort to develop a society that is aware of the importance of information and participation in advancing information.

Second, about budget discipline. The budget compiled must be based on the needs of the community and must not leave a balance between financing government administration, development and community services. The budget must be prepared based on the principles of efficiency, appropriate, timely and accountable. Third, the efficiency and effectiveness of the budget, in the sense that the available funds must be utilized as well as possible in order to produce maximum service improvement and welfare for the community. Fourth, budget justice. The budget must be allocated

⁹ Meuthia Gani Rahman in JOKO WIDODO, TELAAH DAN DIMENSI AKUNTABILITAS DAN KONTROL BIROKRASI PADA ERA DESENTRALISASI DAN OTONOMI DAERAH 151-153 (2001); *See also* MEUTHIA GANIE RAHMA, GOOD GOVERNANCE, PRINSIP, KOMPONEN, DAN PENERAPANYA DALAM HAK ASASI MANUSIA (PENYELENGGARAAN NEGARA YANG BAIK 67-70 (2000). The main characteristics or elements of good governance, according to Bahatta and Nisjar, are accountability, transparency, openness, and rule of law plus management competence and human rights. In a similar context, it is also mentioned that there are four main elements, namely accountability, the existence of a legal framework, information and transparency. While UNDP stated 9 (nine) characteristics of good governance including Participation, Rule of law Transparency (capture) Consensus-oriented responsiveness (Consensus Orientation), Fairness (Equity) Effectiveness and efficiency, Accountability and Strategy Vision. Furthermore, it is stated that in general good governance contains the main elements consisting of accountability, transparency, openness, and the rule of law. To find out good ideas and practices governance, then the core of good governance is the art of government which rests on the rule of law with elements of transparency, accountability, fairness, and responsibility. *See also* Anggun Meininda Maharani, *BPD Empowerment Program in Optimizing Village Financial Implementation (Perspective Law No. 6 of 2014)*. 3 JILS (JOURNAL OF INDONESIAN LEGAL STUDIES). 93, 96-97 (2018); DOMAI, MANAJEMEN PEMERINTAHAN INDONESIA 56-59 (2001).

equally for the benefit of all groups of people, including in this sense it is gender fair¹⁰.

In addition, in the management of regional finances it involves 5 (five) aspects that must be considered, namely:

1. management of all sources that are able to provide revenues, revenues and savings that may be done.
2. Stipulated by the executive and legislative bodies, implemented by the executive body and overseen by the legislative body.
3. Directed for the welfare of the entire community.
4. Based on economic, efficient and effective principles.
5. Documentation, transparency and accountability¹¹.

II. REGIONAL FINANCIAL SOURCES

Regional Budget or often referred to as the Regional Revenue and Expenditure Budget is the calculation of revenue and the amount of expenditure or expenditure to be carried out by the Regional Government. Legally, this regional budget is referred to as the Regional Revenue and Expenditure Budget (APBD) and is defined as the annual financial plan of the Regional Government approved by the Regional House of Representatives (Article 1 of Law No. 33 of 2004). APBD implementation includes the implementation of budget, revenue, expenditure, and financing. The following explanation is based on Government Regulation Number 58 of 2005 concerning Regional Financial Management. This regulation has been prepared for implementation guidelines, namely

¹⁰ ABDUL GAFFAR KARIM, et al, (ed), *KOMPLEKSITAS PERSOALAN OTONOMI DAERAH DI INDONESIA* 297-298 (2003). Roy Marthen Moonti, *Regional Autonomy in Realizing Good Governance*. 2 *SUBSTANTIVE JUSTICE INTERNATIONAL JOURNAL OF LAW*. 43, 56-58 (2019). Daryono Soebagyo, et al. *Income Inequality and Convergence in Central Java under Regional Autonomy*. 13 *INTERNATIONAL JOURNAL OF ECONOMICS & MANAGEMENT*. 37, 40-41 (2019). Dolot Alhasni Bakung, *Unraveling Authority of Coal Mining Management by the Regional Government and Its Implications for Regional Autonomy*. 1 *INDONESIAN JOURNAL OF ADVOCACY AND LEGAL SERVICES*. 223, 230-233 (2020); Auria Patria Dilaga, *Politics of Law on Protection to Folklore in a Regional Autonomy Perspective: Rights for Indigenous People*. 2 *JILS (JOURNAL OF INDONESIAN LEGAL STUDIES)*. 25, 30-32 (2017); Dani Muhtada, *The Prospects for Public Management Reform in Indonesia*. 2 *JILS (JOURNAL OF INDONESIAN LEGAL STUDIES)*. 145, 150-152 (2017).

¹¹ SUHADAK & TRILAKSONO NUGROHO, *PARADIGMA BARU PENGELOLAAN KEUANGAN DAERAH DALAM PENYUSUNAN APBD DI ERA OTONOMI DAERAH* 27-30 (2007).

Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management.

APBD is a real form of regional financial management within one year. Because of their close links with community interests and using public funds, the APBD must be determined with the approval of the DPRD. In good financial management, it must pay attention to the principles that apply in it. These principles are as follows:

1. Orderly
In APBD management, it must be in accordance with the time target set in the applicable laws and regulations. APBD establishment that is not in accordance with the allotted time is an example of disorderly management.
2. Obey the laws and regulations
Regional financial management is always based on applicable laws and regulations. Therefore, deviation from the prevailing laws and regulations is a mistake even though it does not result in regional financial losses.
3. Effective and efficient
The implementation of programs and budget activities must be able to achieve the targets or results that have been set, while being efficient in the intended budget so that the costs incurred for the purposes of obtaining the goods or services are as economical as possible.
4. Economical
The implementation of programs and budget activities should be the lowest price while still paying attention to the quality that has been set.
5. Transparent
This principle mandates that local governments provide access to people who want to get information related to regional financial management.
6. Take responsibility and pay attention to the principle of justice
The entire budget management process must be accountable, both for the budget policies taken and in the implementation of the budget.
7. Justice

Budget allocations must be based on objective considerations so that they can be done fairly.

8. Appropriateness and fairness

Financial management must be carried out appropriately and fairly, in accordance with existing conditions and not manipulated.

9. Useful for the community

Regional financial management must be able to provide benefits to the community. Facilities and infrastructure obtained from the implementation of budget activities must be able to function properly and be beneficial to the community.

In Article 5 of Law Number 33 Year 2004 Concerning Financial Balance between the Central Government and Regional Governments, regional revenue sources consist of:

a. Regional Original Revenue

Regional Original Income, hereinafter referred to as PAD, is revenue received by the Region from sources within its own region, which are collected based on Regional Regulations in accordance with applicable laws and regulations. (Article 1 of Law Number 33 Year 2004 concerning Financial Balance between Central and Regional Governments).

b. Balance Funds

It is a source of Regional Revenue derived from the APBN to support the implementation of regional governmental authority in achieving the goal of granting autonomy to the regions, which is primarily to improve services and improve people's welfare. The Balancing Fund is a group of sources of funding for the implementation of decentralization whose allocations cannot be separated from one another, bearing in mind the objectives of each type of revenue are complementary and complementary. The Balancing Fund is a source of funding originating from the regional portion of the Land and Building Tax, the Obligation to Obtain Land and Building Rights, revenues from natural resources, and the General Allocation Fund, and the Special Allocation Fund. Specifically, the Balancing Fund consists of:

1. Revenue Sharing Funds

Revenue-sharing funds are funds sourced from APBN revenues that are allocated to regions based on percentage figures to fund regional needs in the context of decentralization (Article 1 of Law Number 33 Year 2004).

2. General Allocation Funds

General Allocation Funds, hereinafter referred to as DAU, are funds sourced from APBN revenues, which are allocated with the aim of equitable distribution of financial capacity between regions to fund regional needs in the context of decentralization (Article 1 of Law Number 33 Year 2004).

3. Special Allocation Funds

Special Allocation Funds, hereinafter referred to as DAK, are funds sourced from APBN revenues allocated to certain regions with the aim of helping to fund special activities which are regional affairs and in accordance with national priorities (Article 1 of Law Number 33 of 2004).

c. Others Legitimate Local Revenues

According to Article 43 of Law Number 33 Year 2004 Concerning Financial Balance between Central and Regional Governments, other income consists of grant income and emergency fund income. Grants are Regional Revenues originating from foreign government, foreign agencies / institutions, international agencies / institutions, the Government, domestic or individual agencies / institutions, in the form of foreign exchange, rupiah or goods and / or services, including experts and training no need to be paid back. Whereas Emergency Funds are funds originating from the APBN which are allocated to regions that experience national disasters, extraordinary events, and / or solvency crises.

Autonomy everywhere cannot be separated from financial problems. The right to manage and manage one's own household also implies the meaning of "self-spending". Self-spending or own income shows that the region (must) have its own sources of income¹².

¹² BAGIR MANAN, HUBUNGAN ANTARA PUSAT DAN DAERAH MENURUT UUD 1945 204-210 (1994); BAGIR MANAN, MENYONGSONG FAJAR OTONOMI DAERAH 112-118

Regional autonomy must really be one step to develop regional potential. One of them is by maximizing transparent and accountable regional financial management. This is very important, because Regional Finance is all the rights and obligations of the region in the context of the administration of regional government which can be valued in money including all forms of wealth related to rights and obligations. To that end, the management of regional finances, all activities including planning, implementation, administration, reporting, accountability, and supervision of regional finances must be carried out transparently and accountably. All go to Good Government.

The Regional and State Financial Planning Process is the process of creating objectives for successful organizational organizations in coordinating the long and short term. This is related to the goals of the organization and the direction of the objectives of the Financial Statement Management System. To ensure that development activities are effective, efficient and targeted, National Development Planning and uniformity of applicable regulations are needed in order to achieve the objectives of the state and avoid disparities between regions. Starting from the central government, provincial to district / city. Provisions concerning the National

(2001). For more comprehensive comparison and picture, please also see Rony Alex Woruntu, et al. *Legal aspects of land in the regional autonomy in relation to land services in Indonesia*. 50 *JL POLY & GLOBALIZATION*. 109, 115-117 (2016); Felix Schulte, *The More, The Better? Assessing the Scope of Regional Autonomy as a Key Condition for Ethnic Conflict Regulation*. 25 *INTERNATIONAL JOURNAL ON MINORITY AND GROUP RIGHTS*. 84, 90-98 (2018); Andi Yakub, *Urgency of Political Decentralization and Regional Autonomy in Indonesia: Local Perspectives*. 14 *JOURNAL OF INTERNATIONAL STUDIES*. 141, 148-150 (2020). Some another problem since the re-implementation of regional autonomy (in 2001), the relation between the central government and the regions has not shown a harmonious relationship. The assumption is that with decentralization and regional autonomy policies the relationship between the center and the regions has improved, apparently not proven. Some obstacles that arise in the implementation of Regional Autonomy make the central-regional relations disrupted. One example is the issue of regional expansion. Not infrequently the demands of the region to divide the region are disturbed because of the strict requirements to make the regions and moratorium on regional expansion policies. In fact, the relationship of authority between the central government and regional governments in the Unitary State of the Republic of Indonesia is in accordance with the mandate of the 1945 Constitution of the Republic of Indonesia including: aspects of democracy, justice, equality, as well as potential and diversity, broad, real, and responsible autonomy. See R. Siti Zuhro, *Regional Autonomy on New Local Government's Law: Problems and Challenge of Central And Regional Government Relation*. 13 *JURNAL PENELITIAN POLITIK*. 213, 217-220 (2016); Didin Muhafidin. *Problematika Otonomi Daerah dalam Kaitannya dengan Pentingnya Human Relations dan Public Relations*. 6 *JURNAL SOSIOHUMANIORA*. 1, 10-13 (2004); Indah, *Hubungan Wewenang Antara Pemerintah Pusat dan Daerah dalam Negara Kesatuan Republik Indonesia*. 9 *RECHTIDEE JURNAL HUKUM*. 137, 140-145 (2014).

Development Planning system, which includes the implementation of macro planning or planning which is at the national policy level for all government functions and covers all fields of life in an integrated manner in the Territory of the Republic of Indonesia.

The independence of development in the regions can be done by achieving good conditions and synergy between the government, the private sector and civil society in the management of natural, social, environmental and economic resources to increase regional income. There must be transparency, accountability, participation, legal empowerment, effectiveness and efficiency, and justice. Public policies issued by the government must be transparent, effective and efficient, and be able to answer basic provisions of justice. As a form of good state governance, community involvement at all levels of the decision-making process must be involved.

In the current era of regional autonomy, regions are given greater authority to regulate and manage their own households. The aim is to bring government services closer to the community, making it easier for the public to monitor and control the use of funds sourced from the Regional Budget (APBD), in addition to creating healthy competition between regions and encouraging innovation.

In relation to the increase in regional own-source revenue, the policy that needs to be taken is in the form of intensification and extensification of collection so that it is expected that regional own-source revenue will play a more important role. Intensification policy and efforts in the form of increasing locally-generated revenue (hereinafter as PAD) from existing sources or running so far. Meanwhile, extensification policies and efforts in this collection are in the form of finding and exploring new sources of income within the limits of statutory provisions¹³.

This regional finance must indeed be managed efficiently by the respective regional governments. But the reality between the plans that have been determined with the realization in regional financial management there are differences, this is due to several problems, most of which are caused by the internal conditions of the regional officials themselves. To overcome this problem, the basic thing that must be

¹³ SUHADAK & TRILAKSONO NUGROHO, PARADIGMA BARU PENGELOLAAN KEUANGAN DAERAH DALAM PENYUSUNAN APBD DI ERA OTONOMI DAERAH 163-170 (2007).

changed is the personal attitude of regional officials, especially regarding the policy of wasting funds which will indirectly affect the personal status of regional officials. To implement broad, real and responsible autonomy, regions must be able to prepare good human resources. Enough financial factors (financial), adequate equipment factors as well as organizational and management factors (organization and management)¹⁴.

In addition, with the availability of regional financial resources, one of which comes from central government assistance, it is hoped that regional governments should be able to be more efficient in managing their finances so that the budgeted funds from the central government that have been previously budgeted can be fulfilled properly. Even though the central government has given instructions that when the regional finances are experiencing shortages, it can ask the central government, but this can directly make the central financial condition that is increasingly reduced and indirectly will make an area's independence in managing its finances will be hampered. modern priest. One concrete effort to achieve transparency and accountability in the management of state finances is the submission of government financial accountability reports that meet the principles on time and are prepared in accordance with generally accepted government accounting standards.

CONCLUSION

Regional Finance is all the rights and obligations of the region in the context of the administration of regional government which can be valued in money including all forms of wealth related to rights and obligations. While regional financial management is the whole activity which includes planning, implementation, administration, reporting, accountability, and financial supervision of the region. The holder of the Regional Financial Management Authority is the regional head who because of his position has the authority to carry out the overall financial management of the area. Regional autonomy must really be one step to develop regional potential.

¹⁴ JOSEP RIWU KAHU, PROSPEK OTONOMI DAERAH DI NEGARA REPUBLIK INDONESIA, IDENTIFIKASI FAKTOR-FAKTOR YANG MEMPENGARUHI PENYELENGGARAAN OTONOMI DAERAH 60-65 (2005).

One of them is by maximizing transparent and accountable regional financial management. This is very important, because Regional Finance is all the rights and obligations of the region in the context of the administration of regional government which can be valued in money including all forms of wealth related to rights and obligations. For this reason, the management of regional finances as a whole includes activities that cover planning, implementation, administration, reporting, accountability and oversight of regional finances, which must be carried out transparently and accountably.

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Quote

A lack of transparency
results in distrust and a
deep sense of insecurity.

Dalai Lama