

## Position and Function of Monitoring System on Local Government Financial Performance

Damay Rusli

Sekolah Tinggi Ilmu Sosial dan Ilmu Politik (STISIP) Tasikmalaya

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### ABSTRACT

Law Number 17 of 2003 concerning State Finances mandates the Government to prepare Regional Government Financial Reports consisting of Budget Realization Reports, Cash Flow Reports, Balance Sheets, Notes to Financial Statements, SAL Reports, Operational Reports, and Reports on Changes in Equity. The financial reports prepared and presented by the local government (pemda) are structured reports that describe the financial position as well as financial and non-financial transactions that are carried out each year. These financial statements are prepared with the aim of presenting information regarding the financial position, budget realization, budget surplus, cash flows, results of operations, and changes in equity of a reporting entity which is expected to provide benefits to users in making and evaluating decisions regarding the allocation of resources. This study uses descriptive analysis as a research method, using a qualitative approach, while the results of the research explain that, the existence of assessment and supervision of local governments can actually be a parameter that spurs local governments to be more careful, thorough and professional in spending regional finances thus Good governance will be implemented, namely a government that is free from corruption, collusion and nepotism.

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Email :  
[damay.rusli.stisip@gmail.com](mailto:damay.rusli.stisip@gmail.com)

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### INTRODUCTION

It cannot be denied that a successful organization is indeed built based on a clear and measurable vision and mission, mainly actualized against the framework of creating good governance according to government directives and policies (Anisatul et al., 2017). In an effort to achieve a good organizational performance, it is necessary to have a directed and comprehensive work plan, so that it is easy for management to control the operational activities of the organization, both short term and long term in a certain format (Antari & Sedana, 2018).

According to Arifianti (2013) local governments, like other organizations in general, are required to provide public services based on the welfare and interests of the wider community. While the research results of Bisma et al, (2010) explain that good governance can, among other things, be marked by the existence of accountable and transparent management, and to make this happen, the central and regional governments must make various efforts to reform in various matters such as the preparation of laws and regulations, institutional arrangement, improvement of systems and procedures, and increasing the professionalism of human resources, especially in the field of finance. As we have seen previously, the finance department in a public organization, especially local government, is indeed the main subject and always gets more attention from the

government because there are activities and activities related to the programs that you want to run, so it is fitting for every public organization to pay close attention to and analyze each performance and the progress of its achievement, one of which is by conducting a performance analysis from the financial side of its financial reports. Basically, local government efforts to improve the quality of public services to the community are continuing, especially with the existence of Law No. 17 of 2003 concerning state finances, which is strengthened by PP No. 8 of 2006 concerning financial reporting and performance of government agencies stating that in financial reporting must include information regarding the performance of government agencies, namely the achievements achieved by budget users in relation to the budget that has been used (Susanto, 2019).

So the presence of Regional Working Units (SKPD) in every region and region in Indonesia is a very good anticipatory step, especially in receiving any reports and complaints relating to the use of the budget and regional spending activities. Because the true function and main task of the Regional Work Unit (SKPD) is to maintain financial accountability in each region to be more awake and avoid practices of corruption, collusion and nepotism (Djiloy, 2016). Financial accountability of Regency/Municipal Government Agencies is a manifestation of the accountability of a Regional Government Agency for the implementation of the Regency/City Regional Revenue and Expenditure Budget (APBD) in carrying out programs and activities to carry out organizational missions in order to achieve the goals and objectives that have been set.

Machmud (2014) says that financial performance is one measure that can be used to ensure the ability of regions to implement financial implementation regulations properly and correctly. In addition, good local government performance can be seen from regional financial management activities with a larger and more detailed budget value for various work programs by making the oversight function even more important to prevent fraud and irregularities and direct more optimal use of the budget for quality work programs. (Novitasari & Prabowo, 2020). Because of its comprehensive nature, performance management is closely related to strategic planning, financial budgeting, employee development, and other work programs in the government organizational system.

In the journal Pratama & Anandita (2021) argues that, since the reform in 1998, Indonesia has experienced very significant changes in various ways, including the aspect of governance, where at that time some people wanted a clearer democratic order and capable of guaranteeing the welfare of the people. So it is no doubt that regional autonomy was born, as a manifestation of the collapse of the centralized system. Basically the regional autonomy system is considered one of the more dynamic and pro-people systems (Law No. 22 of 1999; Law No. 32 of 2004). Regional autonomy is a decentralized government system, in which the regions regulate and manage their own administration. The people's aspirations are the main indicator in decentralized government, namely regional autonomy emphasizing the implementation of government on the basis of the wishes of the people in the area itself, not on the basis of central government decisions.

However, along the way, the implementation of autonomous government did not run smoothly, this can be illustrated by the many corruption cases that have hit some members of local government officials who took advantage of the weaknesses of the decentralization system, namely the budget process is determined by the regions through the approval of DPRD members

who then proposed to the central government through the RAPBD (Purnama & Nadirsyah, 2016). As data on regional corruption cases put forward by ICW was right in 2016, where during the 2010-2015 period as many as 183 regional heads were proven to have stumbled on corruption cases, furthermore the highest level of corruption occurred in the position of Regent with 110 cases. This explains that the decentralization system is a field for some elements to commit corruption, because they have full control over the area they lead.

Of course, the above conditions are very concerning and detrimental to all levels of society, because after all, good local government is the dream of all of us and this process must really be realized, one of which is by improving aspects of financial performance. The second thing that might affect the regional financial system to get very bad is the supervision factor, where this action actually functions as a planning standard for designing an information feedback system, if there is indeed a deviation and to ensure that organizational or governmental data sources have been used as effectively and efficiently as possible. in order to achieve organizational or government goals (Rohman, 2017).

Meanwhile, supervision according to Presidential Decree No. 74 of 2001 (Concerning Procedures for Oversight of Regional Government Operations) Article (16) states that regional government supervision is a process of activities aimed at ensuring that regional governments operate in accordance with the plans and provisions of the applicable laws and regulations. The lack of oversight carried out by each local government can lead to negligence in preparing financial reports, which also has an impact on the process of formulating and implementing policies that have been made. So, based on the description and explanation of the background that was previously presented, the researcher is interested in finding out more about the Position and Function of the Oversight System in each local government so that it can run properly and wisely.

## METHOD

Researchers used descriptive analysis as a research method, using a qualitative approach. Where according to Sugiyono in Sholikhah, (2016) explains that descriptive analysis is intended as a way to summarize an ongoing situation at the time the research was conducted. Meanwhile, according to Moleong (2004) defines qualitative research as "a research process that produces descriptive data in the form of written or spoken words from people and observable behavior". The qualitative strategy was chosen with the understanding that this research is intended to collect actual data and to explore research problems in order to obtain the expected results. The use of qualitative research is considered very relevant in the study of public administration, especially research that tries to evaluate and understand society.

## RESULTS AND DISCUSSION

In the autonomous era, regional government is often in the public spotlight, because all the hustle and bustle of regional government administration, especially those related to finance, have been carried out independently. It is not surprising, then, that the demand from the community for local government is very strong, especially those relating to welfare, development progress, price stability, employment, health, education, and so on. Therefore, as a form of accountability, local governments are required to present regional performance reports, so that the public can assess

the good and bad of what has been done in various programs. In addition, all elements of society can provide input, criticism, suggestions and recommendations regarding what improvements need to be made to the deficiencies in the performance report.

Performance reports are the mirror or face of the regional government, because all matters related to programs and work plans will be seen in a transparent manner, so that the community can make political decisions whether the regional head will be supported again or not in the next period. Meanwhile, if the performance of a local government looks good and satisfactory, then it is certain that such a process will tend to get sympathy and support from the community, so that strategically the government has extraordinary constituent power, and it is not surprising that it becomes public pride, including getting a lot of defense from the community (Sains , 2018).

Regional financial performance is currently in the public spotlight because it has not shown good results and cannot be felt directly by the people, in which case local governments are required to have good financial performance in carrying out their duties and responsibilities as an embodiment of the concept of regional autonomy. Basically this aspect of regional finance is the same as the notion of state finance where the state is analogous to a region, it's just that in this context regional finance is all regional rights and obligations that can be valued in money, and of course become wealth for the region.

Apart from that there is supervision from various parties, one of which is external supervision carried out by the BPK, of course, has an important role in supervising and controlling the use of the regional budget. Officially BPK has very strong authority in auditing regional financial reports, whether there is a fairness between the budget spent and the realization of work programs and vice versa.

Regional financial performance is also often interpreted as the output or result of activities or programs achieved in accordance with the budget with measurable quality and quantity. Financial performance measurement has many purposes, not least to improve local government accountability and public transparency. In addition, measuring government financial performance will be useful in terms of making policies in regional financial management. Basically the financial performance of local government agencies is a financial management system that includes achieving the goals or objectives of government agencies as the elaboration of the vision, mission and strategies of government agencies which indicate the level of success and failure of implementing activities in accordance with established programs and policies. In other words, after a financial management system is formed, it is necessary to prepare a tool to measure financial performance and control government programs so that they are not trapped in Corruption, Collusion and Nepotism (KKN) practices.

Then if there are indications of problems that result in regional financial losses, the BPK institution will provide an audit opinion based on the examination of the financial statements that have been carried out. BPK's audit opinion is actually an objective and professional assessment of the fairness of regional financial reports, where this opinion will provide an Unqualified Fair value (WTP) if the regional financial reports match the realization of work programs with the budget spent. Meanwhile, BPK's audit opinion is Unqualified (WDP), which means that the financial statements presented indicate that the information is unreasonable, but is still within tolerance limits. However, the Disclaimer of Opinion (TMP) and Unfair (TW) audit opinions indicate that

there are serious financial reporting problems, which result in regional financial losses (Sartika, 2019).

The existence of the assessment above, of course, can be a parameter that spurs regional governments to be more careful, thorough and professional in spending regional finances so that good governance will be implemented, namely government that is free of corruption, collusion and nepotism. BPK's opinion has a psychological impact on regional leaders to maintain their good name or as an arena to show achievements to all parties. In other words, obtaining a good predicate from the BPK is an achievement in itself or a positive image for regional heads in particular. Currently, many regional heads are paying attention to the actions of BPK's audit opinion on their respective regions. This can be used as a political force because it has succeeded in achieving its best achievements.

The obligation of the local government to be accountable for every progress and activity, of course, must also be accompanied by the delivery of relevant information regarding the results of the performance that has been achieved, especially to people's representatives and also community groups who really want to evaluate the government's performance so far. The existence of a dimension of supervision or control over regional financial performance is a discourse that cannot be separated from the implementation of autonomy in Indonesia. This is very reasonable, because after all the central government must be able to control what the regions do in exercising their autonomy rights to realize the goals of enforcing national policies through a supervisory mechanism (Sains, 2018).

In principle, the supervisory system cannot be separated from the autonomy itself, this is because autonomy and supervision are two sides of one sheet towards the principles of good governance. The purpose of supervising regional governments is because the granting of autonomy by the central government to regional governments is not carried out in an anarchic manner, but is carried out in a responsible manner. In theoretical construction, supervision is an attempt to avoid mistakes, both intentional and unintentional, which are often made by every regional government apparatus (Setyaningrum, 2021).

In fact, a supervisory system will be very much needed in the context of limiting the government's freedom of action. If it is not restricted through effective control, then this freedom of action will instead slip towards unpleasant actions such as abuse of authority, exceeding authority, acts against the law which will eventually lead to practices of corruption, collusion and nepotism. Furthermore, these supervisory actions can be divided into two types, namely internal supervision which can be classified in the type of technical-administrative control or commonly known as a form of "built in control" and while external supervision this action is actually often interpreted as control carried out by the judiciary, or institutions that are structurally outside the reach of the government.

In addition, the supervision process can also be grouped in terms of time, namely in the form of preventive supervision and repressive supervision, where preventive supervision is supervision before an action is carried out with the intention of preventing mistakes from occurring, while repressive supervision is supervision carried out after a decision or action has been issued. from the government. In the context of autonomy, in the current era, the supervisory process that is often used by some regional governments is internal supervision because this supervision will be carried out by organs or bodies within the scope of the executive. In this other case, internal

control will intersect with the concept of executive review in the form of examining all legal products both institutionally and hierarchically in authority.

When referring to the provisions of Law Number 23 of 2014 concerning Regional Government, the context of internal supervision is carried out in an effort to implement guidance and supervision by the central government on regional governments, both provincial and district/city, in a preventive or repressive manner. Further provisions regarding the guidance and supervision of regional governments are regulated in Government Regulation Number 12 of 2017 concerning the Development and Supervision of Regional Government Administration. Efforts to foster and supervise are carried out by the central government to provincial regional governments through ministers, technical ministers, and heads of non-ministerial government agencies.

This also applies to district/city regional governments which are carried out by the Governor as the representative of the central government and their duties. The authority to carry out guidance and supervision includes matters of a general nature, namely the distribution of governmental affairs, regional institutions, staffing of regional apparatuses, regional finance, regional development, public services in the regions, regional cooperation, regional policies, regional heads and DPRD, as well as other forms of coaching in accordance with statutory provisions (Sartika, 2019). Regional financial management is a much-discussed issue in the context of the public sector. Good regional financial management can improve the financial performance of a regional government and vice versa if bad regional financial management will certainly have an impact on all programs and activities that have been planned. In fact, effective and efficient regional financial management will indirectly have an impact on the financial performance of the regional government itself, meaning that the more effective and efficient the management of regional finances is, the more likely the regional financial performance will improve (Zami, 2020).

Supervision is basically fully directed to avoid the possibility of misappropriation or deviation from the goals to be achieved by an organization. Through this monitoring phase, it is hoped that it can help implement the policies that have been set to achieve the planned goals effectively and efficiently. In fact, through supervision an activity can be created that is closely related to the determination or evaluation of the extent to which work implementation has been carried out, the extent to which the leadership's policies have been implemented, and the extent to which deviations have occurred in the implementation of the work. In relation to public accountability, oversight is one way to build and maintain the legitimacy of citizens for government performance by creating an effective oversight system, both internal and external oversight.

## CONCLUSION

In the era of regional government autonomy, it is in the public spotlight, because all the hustle and bustle of regional government administration, especially those related to finance, have been carried out independently. So do not be surprised if the demand from the community for local government is very strong, especially those related to regional financial performance. As we have seen previously, the finance department in a public organization, especially local government, is indeed the main subject and always gets more attention from the government because there are activities and activities related to the programs that you want to run, so it is

fitting for every public organization to pay close attention to and analyze each performance and the progress of its achievement, one of which is by conducting a performance analysis from the financial side of its financial reports. The monitoring factor is the main key in avoiding the possibility of misappropriation or deviation from the objectives to be achieved by a local government. Furthermore, this regional financial supervision factor is actually an integral part of the overall management of state finances. When linked to the budget cycle, regional financial supervision can include the preparation stage, the implementation stage, and finally the accountability stage.

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