



# The Urgency of Regional Financial Supervision by Indonesian Regional People's Representative Council

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## ABSTRACT

The management of regional finances or regional revenue and expenditure budgets is carried out by the Regional Head and his apparatus. Thus, abuse is prone to occur in its implementation, and often leads to corruption. Thus, the role of the Regional House of Representatives in supervision is very important, it is related to the mechanism of checks and balances in regional governments. The purpose of this study is to analyze how the supervision is carried out on regional financial management. So, it is a type of qualitative research with a normative juridical type, where this research is carried out by reviewing several writings from books and also accredited scientific journals related to supervision and regional finance. In addition, several other related books were also studied. The supervision carried out by the DPRD on the Regional Government is also included, it starts from planning to the accountability report, which includes the obstacles faced by the Regional Government when managing regional finances. Then, the researcher hopes that from this research academics, students and also the government, especially the government in Padang, Jambi, Pekanbaru and including the Indonesian government, it also other countries can benefit. In addition, it is useful as a reference for several disciplines, such as law, government, political science and other sciences

**Keywords:** *Supervision; Financial Management; State*

## 1. INTRODUCTION

Based on Article 6 paragraph (1) of 2003, states that "the President as Head of Government holds the power in regulating state finances", which can be concluded that the President has the authority in financial management with the following rules: (a) granting power to the Minister of Finance, in this case as the fiscal manager and also the representative of the Government in the management of the ownership of separated state assets, (b) delegated to the minister/institution leader as the Budget User/goods user for the ministry/institution he/she leads; (c) handed over to the governor/regent/mayor who acts as the regional head, in this case to manage regional finances and represent the regional government in the ownership of separated regional assets [1].

The implementation of state/regional revenue and expenditure budget in a transparent, accountable and corruption-free manner requires a reliable internal control function and an adequate internal control system, it is according to the President's considerations in issuing Presidential Regulation No. 192 in 2014 that concerns the Financial and Development Supervisory Agency.

Improving the reliability of the implementation from the internal control function and the quality of the internal control system, it is carried out through improving the organization of Financial and Development Supervisory Agency (BPKP) [2].

This presidential regulation was followed by the issuance of Presidential Instruction Number 9 in 2014, which was addressed to the Minister/Head of Institutions, Secretariat Leaders of State Institutions, Governors/Regents/Mayors, among others to: a. Accelerate the effectiveness of the government's internal control system implementation in the management of state/regional finance and national development, it is according to the respective scope of duties and functions; b. Intensify the role of Government Internal Supervisory Apparatus in their respective environments in order to improve quality, transparency, and accountability in state/regional financial management and national development and also increase efforts to prevent corruption [3].

Administrative policy in practice includes the scope and limits of power in the search effort. It's not like the Framers vision, but it's increasingly visible that this is a

search and seizure in the field. Furthermore, regarding the traditional fourth amendment, we do not understand what to do with the institutional protocols and monitoring programs that are implemented. The next amendment is the fourth amendment. It is transactional with programmatic supervision. Instead of responding to a single investigative incident, the search system was designed end masse [4].

The purpose of supervising the DPRD as an institution that oversees Regional Regulations is that DPRD conducts Supervision of Regional Regulations and Regent's Regulations [5]. After the Regional Regulations and Regent Regulations are made jointly between the DPRD and the Regent, the DPRD still needs to supervise the enactment of the Regional Regulations and Regent Regulations, this is because Supervision is one of the functions of the DPRD in the continuity of Regional Government, so that Regional Regulations and Regent Regulations can run smoothly.

The management of regional finances or regional revenue and expenditure budgets carried out by the Regional Head and his apparatus is prone to corruption. Thus, close supervision needs to be carried out by the DPRD in order to implement the checks and balances mechanism. And this article analyses with the aim of knowing how the supervision of regional financial management is carried out.

## 2. METHOD

Qualitative research methods with normative juridical research are the ones used in this study. Where reviewing several articles from books and scientific journals that have been accredited will be carried out to obtain this data, especially those related to regional supervision and finance, and also other supports.

Things to look for in legal research include methods, norms or *das sollen* but it is not events, then those related to behaviour include facts or *das sein*. Then, the method is taken from secondary data contained in legislation, jurisprudence (primary legal material), literature or literature (secondary legal material). However, the normative legal research can be complemented by field research [6].

The approach used is an analytical approach, it is to find out the meaning contained in the laws and regulations governing the internal control system in managing state finances, and also knowing its application in practice. The second approach is the statutory approach considering that this research will examine various laws and regulations related to the management of state finances and institutions whose duties and functions are related to state financial management activities.

Primary legal materials, it is secondary legal materials that is collected by researchers, are then inventoried and classified based on document studies or according to the issues discussed. The material obtained is then presented, systematized, then analysed to interpret the applicable law. In this study, the analysis used is qualitative analysis, meaning that it is based on the applicable legal rules that develop through discussion in secondary materials. Then with the logic of deductive thinking, then all materials are selected and processed and analysed by describing what they are (descriptive), then by revealing the problem, also with this research is expected to provide a new discourse in the context of supervision carried out by DPRD against Regional Regulations, so that it can be seen the limits of DPRD supervision.

## 3. RESULT AND DISCUSSION

### 3.1. *Supervision of Regional Financial Management*

The rule of law theory is as the most popular concept, that is applied in the underlying system of government of a country, and it requires 3 (three) things, they are the application of legality principle in government, separation of state powers, and protection of human rights. The principle of legality in the administration of government can be carried out by ensuring that every government action must be based on applicable laws and regulations. Thus, the government's power can be limited by legislation. Furthermore, state power is divided by referring to Tries Political, as the most popular theory of separation of powers which is applied to separate state power into 3 (three) fields, they are legislative, executive, and judicial. The existence of powers separation is also a requirement in a state of law. The consequence of implementing Tries Political is that, it must be accompanied by the application of checks and balances in order to prevent the monopoly of state power and arbitrary actions of the authorities. In this regard, the protection of human rights is a substantial matter in a legal state so that there is no arbitrariness by the government to its citizens. So it can be concluded that the main core in the rule of law theory is an effort to prevent government arbitrariness for welfare [7].

Regarding support for post-crisis regulatory reform, the institutional design for financial sector supervision must be in line with its objectives. It is in line with what was stated in the Great Financial Crisis (GFC) which has helped a lot in improving crisis prevention and crisis management systems. In addition, it is very important to optimize effective supervision in an effort to get a positive effect from the new rules. So that in order to achieve an effective level of supervision, proper allocation of functions to one or more institutions must be implemented. And actions with clear objectives of

operational autonomy, comprehensive and effective powers, sufficient resources and adequate incentives should be taken.

With the aim of implementing regional government, regional regulations and regional head regulations and other regulations are needed. Making regional regulations is one of the priorities of the DPRD and local governments at this time, however, the making of regional regulations is still carried out in stages, so that within a period of 5 (five) years, from 2014 to 2019, 60 Regional Regulations have been made, while 30 Regent Regulations have been made for the number of Perda is produced by the DPRD together with the Regional Government, and the most are the regulations related to retribution.

The existence of supervisory institutions shows the government's strong will to create a clean and authoritative government. With the number of supervisory institutions that actively carry out supervision, formally practically every loophole for misappropriation and misuse of state finances is closed. However, the reality is that preventive internal control has not functioned optimally. The performance of this internal supervisory agency is still questionable in terms of preventing regional financial misappropriation. Based on the description above, the problems in the DPRD's supervisory function is as a form of checks and balances against the President in the framework of the separation of powers, in the MD3 Law are carried out in the supervision of the implementation of the Act and the State Budget. However, Jimly conveyed that the supervisory functions possessed by the DPR as a people's representative institution can be distinguished as follows:

- a. Supervision of policy determination (control of policy making);
- b. Supervision of the implementation of policies (control of policy executing);
- c. Supervision of state budgeting and spending (control of budgeting);
- d. The Supervision of state budget implementation and expenditure (control of budget implementation);
- e. Supervision of government performance (control of government performances); and
- f. Supervision of the appointment from public officials (control of political appointments of public officials) in the form of approval or rejection, or in the form of giving consideration by the DPR.

Political supervision is a form of supervision carried out by the DPRD, this is related to the supervision carried out by the legislative body (DPRD) on executive institutions (Regional Heads, Deputy Regional Heads and regional apparatus) which are more policy and strategic in nature. not technical or administrative

oversight, because DPRD is a political institution, such as the use of the allocated budget being misused for things that are detrimental to the people and State.

There are 3 main aspects that support the success of regional autonomy, and based on the opinion of Mardiasmo, they are supervision, control and inspection. Where between the three aspects are different both in concept and application. Supervision, in this case related to the level or activities carried out outside the executive. For example, the efforts of community and DPRD to oversee the performance of government. Furthermore, what is meant by control is the mechanism carried out by the executive (local government) to ensure the implementation of management systems and policies so that the goals of the organization are achieved. Lastly, audits. This is an activity carried out by parties who have independence and also professional competence to carry out inspections related to the performance results of local governments whether they are in accordance with existing standards or criteria.

One of the legislative functions from DPRD is supervision. It is because basically the object of supervision is related to the implementation of the regional regulations themselves and also the implementation of public policies that have been mentioned in the regional regulations. Furthermore, regarding the authority of the DPRD in controlling the performance of the executive, it must be done in order to create good governance, which is in accordance with the expectations of the community. One example is that DPRD can pressure the executive to cut costs that are not needed in providing services to its citizens, it aims to reduce the burden on the community.

To obtain maximum results in the supervision of the regional financial management implementation by the DPRD, it is necessary to carry out the comprehensive supervision of APBD, starting from supervision at the APBD preparation phase, the APBD stipulation phase, the APBD implementation phase, to the regional financial accountability phase.

### **3.1.1. Supervision of DPRD is at the APBD Drafting Stage**

In the process of preparing the APBD, DPRD is involved in carrying out preventive supervision, they are through: preparation of general APBD directions and policies. Based on the general policy direction, the government prepares APBD strategies and priorities which are then translated into APBD preparation.

### **3.1.2. Supervision of DPRD is at the APBD Determination Stage**

The supervisory role in the determining process of APBD, in the discussion of the RAPBD, can be carried out by the DPRD through clarification, validity testing, relevance testing and testing of effectiveness and

compromise of APBD determination, recommendations for determination and retesting.

### **3.1.3. Supervision of DPRD is at the APBD Implementation Stage**

The APBD implementation stage is regulated in Article 24 of PP Number 105 in 2000, that is concerning Regional Financial Management and Accountability. In terms of supervision carried out by the DPRD, the things that must be done are:

- a. The board must understand the scope of the rights to be used
- b. Determine the object to be monitored
- c. Determine how to exercise these rights
- d. Formulate follow-up the output for the use of these rights.

### **3.1.4. Functional Supervision to Support DPRD Supervision**

The existence of limited time, manpower and funds from the DPRD and the desire to be able to realize the use of the APBD in an effective and efficient manner, has led to the need for supervision of other parties who can support DPRD oversight. In addition to supervision by the community, there is another form of supervision that can support the work of DPRD supervision, namely external functional supervision carried out by the BPK.

In addition, DPRD supervision can be carried out through several mechanisms, they are working meetings, hearings, public hearings, and working visits. Besides that, the supervision is carried out through the use of the DPRD's rights, it includes the right of interpellation, the right of inquiry, the right to propose/recommend, give approval, give considerations, and give opinions.

In the supervision of regional financial management, there are obstacles so that the supervision does not run perfectly, so that many improvements are needed every year. The obstacles are coming from the individual himself that can be in terms of age, educational background, work background, organizational experience. Then the next obstacle, namely the knowledge of DPRD members about the budget is still very lacking so it needs to be improved. Next is political knowledge, there are still many DPRD members who do not know about political science, so in this case it is necessary for DPRD members to be taken to have socio-political guidance.

## **3.2. Discussion**

In accordance with the results of the discussion in the article regarding supervision of regional financial management. In the discussion above, it has been explained that in order to avoid misuse of the financial management of local governments, it is necessary to have

supervision from the DPRD. In supervising in the financial sector, the DPRD performs supervision in several stages, they are (1) Supervision in the preparation of the APBD, the DPRD must be involved in preventive supervision, namely in the preparation of the APBD in the Regional Government. (2) Supervision in determining APBD, DPRD not only prepares Regional Expenditure Budgets but is involved in supervising in determining Regional Expenditure Budgets, so there is no misuse in the Expenditure Budget plan. (3) Supervision at the APBD implementation stage, in this case the DPRD oversees the running of the government, especially in carrying out the APBD that has been determined. (4) Functional Supervision to Support DPRD Supervision, due to limited time and funds, it is necessary to supervise other parties who are able to support DPRD supervision. In addition to supervision by the community, there is another form of supervision that can support the work of DPRD supervision, it is external functional supervision carried out by the BPK.

It is in line with research entitled "The Importance of Supervision of Regional Regulations in the Financial Sector After Regional Development." It is stated that the state has as much authority as in the regions. It includes managing all the potential that exists in the area in order to create a state administration that aims to improve people's welfare. So, control must still be carried out by the central government and parent regions, then what must be done is the supervision of all sectors, it is especially those related to regional regulations and other regulatory policies in the financial sector. It is because the financial sector is the most area where problems occur. The obligation of the central government and local governments to assist the new autonomous regions to assist fiscal and non-fiscal influences as well as to unsettle the organizers and parent regional governments [8]. The article has similarities with the results of the author's research, it is the importance of supervisors in local government, especially in the financial sector, but the different thing is in the field of supervision, the author has focused on the supervision carried out by the DPRD, it is from the APBD preparation stage to the accountability report.

It is also the same as the results of Achmad Hariri's research entitled "Legal Reconstruction of Local Government Supervision Toward Good Local Governance" which states that Supervision in the region has not given a large impact in the prevention of criminal corruption. This is because the Government Internal Supervisory Apparatus' existence is still in a subordinate by the head region so that its position is very weak and not providing preventive function against corruption. It could even be that APIP is helpless because there are non-linear power relations. Thus, the need to establish the model of local government's internal controls, this can be done by making laws that control the regional government supervision system. It also needs to be

strengthened the position of Regional Representatives Council, the function of Parliament should be strengthened further in terms of controlling/monitoring, it is important as the embodiment of the teachings of the triad of Political so on as local government occurs check and balance. The latter is the role of the community, this role in the form of community participation in regional development. Public participation will be a little even be able to prevent abuses of power committed by a functionary of the regional government [9]. The similarity of this research to the research conducted by the author is on the supervision carried out by the internal DPRD which prevents abuse of authority, but the results of this study differ from the author, the author focuses on monitoring the financial management of local government is carried out by the DPRD, so is as to prevent corruption by regional officials.

Based on research on "Functions of Regional Financial Institutions in Management of Regional Wealth in Indonesia", it states that the beginning of decentralization is regional autonomy, it is in accordance with the level of urgency, that is owned related to the implementation for the country progress. Triangular collusion often involves regional financial institutions, so this results in no guarantee of good local governance, it is due to poor management of regional assets. So that it is necessary to maximize the function of regional institutions in order to get regional asset management to progress evenly. The problem arises because there are no special regulations related to the management of regional finances, because so far in its management it is still using state finance laws. So, the recommendation for this problem is the optimization of financial institutions in relation to regional financial management. In addition, the existence of special regulations governing the detailed management of regional finances on the management of regional assets is a priority that must be addressed immediately [10]. The results of this study are different from current research, the authors have focused on the supervision carried out by the DPRD in monitoring management of local governments so that fraud does not occur.

Furthermore, in a study entitled "Responsibility of Regional Heads for Regional Financial Management" in which this study presents the principle of accountability of Regional Heads for Regional Financial Management, which is manifested in democratic governance. So, that democracy is not lost, clear accountability is needed, it is because when the government does not show clear accountability, the meaning of democracy has been lost. So, it is very important, because the identity of constitutional democracy lies in a government whose power is limited by despotism. But in reality, the current implementation of the accountability mechanism for regional financial management by the Regional Head is often based on the political interests of political institutions in the local area. So, what is the goal of

regional autonomy will never be achieved, one of which is the existence of better welfare for the local community is not achieved. Political compromises among the political institutions in the region are caused by the disproportion of power between the DPRD and the Regional Head [11]. In this study, it is different from the current research, in this research, it focuses more on explaining the responsibilities of local governments in financial management, but in the current study the focus is on monitoring local government financial management carried out by the DPRD.

Based on some of these studies, the current research is conducted by the author, it is different from the research described above. At this point, it explains how the DPRD supervises regional finances from budget preparation to APBD reports so that the possibility of fraud is very small. However, the DPRD is experiencing obstacles in conducting supervision so that there is a need for personal improvements from DPRD members who are in charge of financial supervision. So, there is an increase every year in financial management and can avoid corruption.

In future research, it is hoped that it will more focus on the role of DPRD in overseeing finances and be directly involved in overseeing the running of local government. So that between the Regional Government and the DPRD synergize with each other in building the government.

The benefits of this research are expected to be useful for academics, students and also the government, especially for the governments in Padang, Jambi, and Pekanbaru, then also Indonesia and other countries. In addition, it is also useful in law, government, political science and other related sciences.

#### 4. CONCLUSION

In accordance with the explanation in the discussion above, it can be concluded that the supervision is carried out by the Regional House of Representatives of the Regional Government in managing regional finances, from the planning stage to the accountability report, is known to have several obstacles. The benefits of this research can be taken by academics, students and also the government, it is especially those in Padang and Pekanbaru, also the government and other countries. In addition, in the fields of law, government science, political science and other related sciences, it can also be used.

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