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REGIONAL FINANCIAL MANAGEMENT BUREAUCRACY REFORM TO INCREASE REGIONAL REVENUE: A STUDY AT REGIONAL FINANCIAL INSTITUTIONS IN DISTRICT SIAK, RIAU

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ABSTRACT
Bureaucratic Reform related to the existence of regional autonomy is the delegation of authority to make every region in demand to be able to manage their respective governance thoroughly based on the prevailing regulations. It is an endeavor to develop and increase Regional Revenue (PAD). Reforms are being conducted not only to increase regional revenue, but also to examine regional financial reforms conducted by Siak Regency Government. This study aims to identify, describe, and analyze bureaucratic reform of Regional financial management to increase Regional Revenue (PAD). Research method utilized is the qualitative research method descriptive approach. Analytical methods used is interactive methods Miles and Huberman. The results of this study indicate that the increase in Regional revenues in Siak Regency is supported by the commitment of the head of the region lacks PAD sources, public awareness in tax payment, and mandatory retribution area, inadequate information systems, and technology, as well as lack human resource competency.

KEY WORDS
Bureaucracy reform, regional financial management, regional revenue.

Reform is the demand for wide regional autonomy. A region should be able to take care of its own independently. Regional autonomy is considered by some practitioners as an antidote to the political turmoil that occurred at the time of the new order. Reform era is then interpreted as the biggest achievement in the implementation of regional autonomy throughout the history of Indonesia.

One important aspect worth noting is that regional autonomy is closely linked to fiscal decentralization. According to Bahln and Linn (1992, in Suhadak, 2007), fiscal decentralization means decentralization of government, allocation of expenditure, and mobilization of regional revenue. Susanto (2014) explained that in the political practice of regional autonomy, the main tool of the implementation of fiscal decentralization is the balance of central and regional finance. In theory, The balance, technically operational is often referred to as the General Allocation Fund (DAU), Special Allocation Fund (DAK), DBH, special autonomy funds, privileged funds, and so on.

One of the regional independence benchmarks is Regional Revenue derived from Regional taxes, regional retributions, regional wealth management, and other legitimate Regional revenue, which aims to provide flexibility to regions in obtaining funds to implement region autonomy as the embodiment of the principle of decentralization. Indonesian Act number 28/2009 on Regional Tax and Levies improves the implementation of fiscal decentralization with the addition of Regional revenue sources in the form of Regional taxes and levies. The policy is basically increasingly expanding regions to explore sources of Regional revenue from the components of Regional taxes and levies. In principle, the fiscal decentralization policy expects regional government's dependence on the central government to decrease and achieve regional autonomy.

Siak Regency is one of the autonomous regions in Riau Province consisting of ten districts and two cities. Siak Regency is one of the economic barometers for the region, in

the financial sector and Regional government governance. It should be noted some data related to district government autonomy.

Siak Regency Regional governments have the highest Regional Income (PAD) which is 2nd highest compared to other regencies in Riau Province. Siak Regency income was increased through the support of Regional Finance Institutions (BKD). The Development of Target and PAD Realization in 2012-2016 is presented in Table 1:

Table 1 – Target and Realization of Regional Revenue Siak Regency Annual Budget 2011-2016

Annual Budget	Budget Target (in millions)	Budget Realization (in millions)	Percentage, %
2012	226.935,00	346.604,25	152,73
2013	232.490,00	348.618,72	145,40
2014	292.980,00	309.862,13	105,76
2015	344.596,00	350.954,86	101,76
2016	325.644,00	164.325,87	50,4
Total	1.269.237,00	1.554.050,35	122,43

Source: Regional Financial Institutions, 2017.

Table 1 exhibits 2011-2016 Annual Budget. It exhibits accumulated annual target Regional Revenue IDR 1,269,237.00 million, which realization exceeded the set target IDR 1,554,050.35 million or 122.43% higher from target. The highest realization occurred in Fiscal Year 2012 of 152.73% or 52.70% higher compared to targeted value.

However, regional autonomy is not merely in the form of financial management, but also transparency and accountability. Law no. 5/1974 is centralist, top-down planning and budgeting, traditional, balanced budgetary plans, single bookkeeping system and cash based. The absence of a good Regional financial accounting system in the form of limited bookkeeping. Regional financial management is only based on the Manual of Regional Financial Administration (MAKUDA). Autonomy era lasted for 25 years until the implementation of broad and real autonomy based on Law no. 22/1999 and Law no. 25/1999 with decentralized backgrounds, bottom-up planning and budgeting, payable bookkeeping system and cash base modification. As a concrete effort, the government issued Government Regulation 105/2000 on Management and Accountability of Regional Finance and Government Regulation 108/2000 on the accountability of regional heads in Regional financial management. The following steps gradually replacing MAKUDA into accounting system with the issuance of Kepmendagri 29/2002 marking the era of autonomy transition into the ideal system.

The researchers would like to determine the reform of the regional financial bureaucracy conducted by Siak Regency government, especially Regional Finance Agency (BKD) increasing Regional Revenue and reforming financial management of the area.

LITERATURE REVIEW

Bureaucracy Reforms. Sedarmayanti (2009), explained that bureaucracy reforms are government's efforts to improve performance through various means with the aim of effectiveness, efficiency, and accountability. Bureaucracy reforms include several changes, namely:
- Changes thinking process;
- Changes paradigm that ruler becomes servant;
- Prioritizing the role of authority;
- Prioritizing end result instead of production;
- Changing work management.

Fiscal Decentralization. Syahruddin (2006), states that fiscal decentralization is a delegation of authority and responsibility of the central government to regional governments regarding sources of revenue and expenditure.

Reforms of Regional Financial Management. Based on Article 1 of Government Regulation No. 58/2005 concerning Regional Financial Management, "regional finance shall

be all regional rights and obligations in the context of the implementation of Regional government which can be assessed by money including all forms of property related to the rights and obligations of the region" "Regional financial management which constitutes the whole activity including planning, implementation, administration, reporting, accountability, and supervision of regional finances"

The description of the Regional budget management process is the framework of regional financial management reform with reference to Government Regulation No. 58/2005 on Regional Financial Management supervision. The financial management cycle of the area can be seen in the figure presented below:
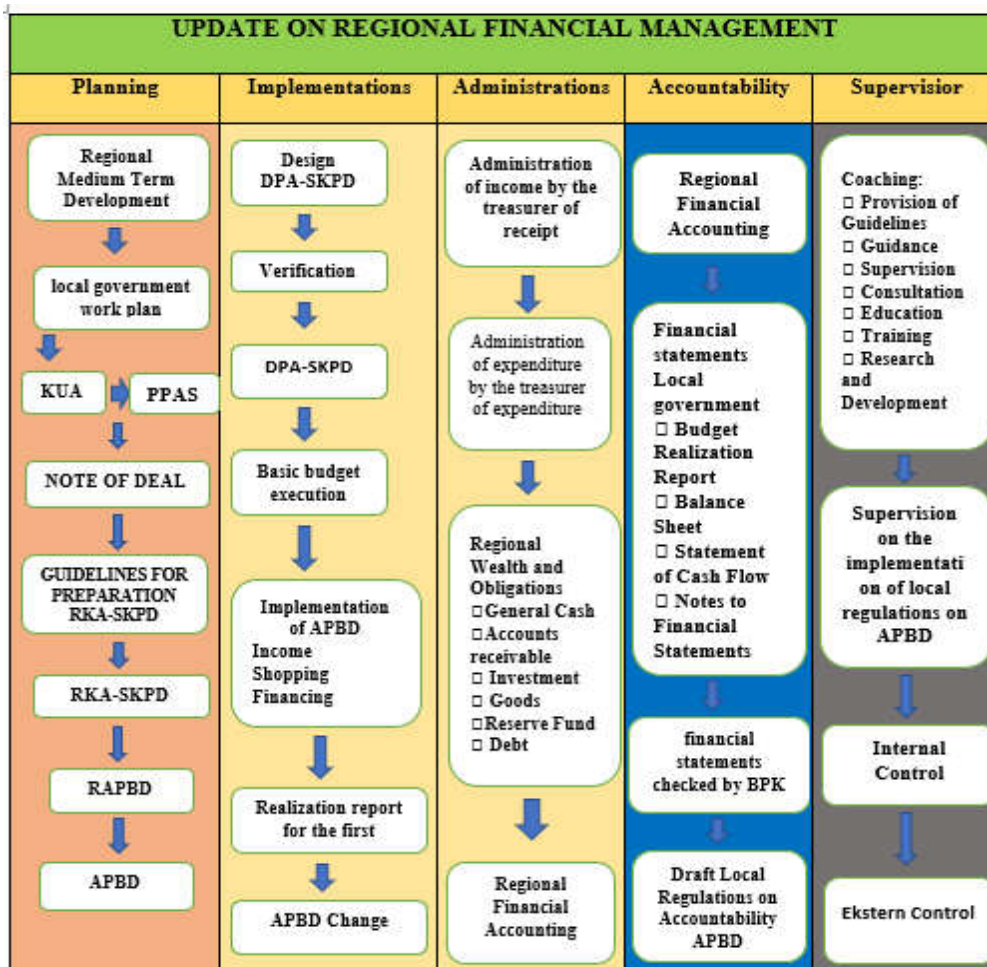

Figure 1 – Cycle of bets in Regional Financial Management

Regional Revenue. In implementing Regional Autonomy, real accountable authority and ability are needed in obtaining financial resources supported by the financial balance between central and regional governments. To guarantee better regional autonomy, it is necessary to improve financial capabilities by increasing Regional Revenue (PAD), either by increasing the acceptance of existing PAD sources or obtaining PAD new source in accordance with existing provision, taking into account the condition and economic potential of the community.

Law No 33/2004, Regional Income (PAD) is income derived by area which is levied based on Regional regulations in accordance with legislation, consisting of:

a. Regional tax;
b. Levy Area;
c. Regional Wealth Management autonomy;
d. Other Regional Income.

METHODS OF RESEARCH

The research method used in this research is a qualitative method with descriptive approach. The focus of this research are: (1) Bureaucratic Reform of Regional Financial Management in Increasing Regional Income (PAD) in Siak Regency, (2) Supporting and Inhibiting Factors of Bureaucratic Reform in Regional Financial Management, (3) Efforts to Overcome Obstacles Bureaucratic Reform of Regional Financial Management in Increasing Regional Income (PAD) in Siak Regency.

The research was conducted in Siak Regency's Regional Financial Institutions. Data were obtained from primary data and secondary data. Data collection is done through interviews and documentation. Analysis method used interactive models Miles and Huberman (1994); Miles, Huberman, and Saldana (2014).
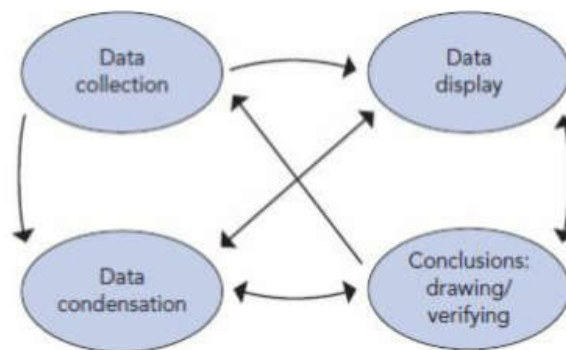

Figure 2 - Components of Data Analysis Miles and Huberman (1994) Interactive Models
Sources: Miles, Huberman, and Saldana (2014)

RESULTS AND DISCUSSION

Siak Regency Efforts in Increasing Regional Revenue (PAD) is to make several efforts through Intensification and Extensification, OPD Reconciliation Meeting, PAD Evaluation, meeting target demand, socializing taxpayers and mandatory regional retribution. Siak regency also collects data and perform intensive billing on taxpayers and mandatory retribution area, forming a team of Regional taxes and levies, building taxpayer information service system and mandatory Regional retribution.

Increasing the PAD through bureaucratic reform also expand the revenue base levied directly by regions with high economic potential. It can be used in identifying new tax payments and the number of existing tax payments, thereby expanding the revenue base of Siak Regency in exploring potential PAD.

In undertaking the financial reforms, Siak Regency government has established a performance-based budget system that has been set forth in the established rules. performance-based budgeting system according to Suhadak (2007) is a budgeting system that places priority on achieving the performance outcome of the allocated cost. A performance-based budget establishes a reserve fund. This is in line with the statement of Mardiasmo (2004) that budget reform is not only on the aspect of changes in APBD structure but also followed by changes in the process of budgeting and APBD in the era of regional autonomy that has been prepared with performance approach.

Performance-based budgeting systems, work plans, and government budgets will be incorporated into government regulations. There is a correlation between the planned work plan and the budget required to undertake it. Therefore it can affirm policy linkages, planning, budgeting and implementation by exhibiting the correlation between strategic planning (5 years) and operational planning (1 year). It exhibits the relationship between outcomes, outputs and performance indicators.

Budgetary Reforms that occurred in Siak Regency were able to involve the community in development planning. Development planning conducted in Siak Regency Government begins with the *musrembang* (discussion with the community) at urban village held by the Village Government followed by the Chairman of the RT (neighborhood association), Chairman of the RW (community association), community leaders and sub-district delegations.

In the Accounting Reform, Siak Regency Government set Government Accounting Standards (SAP) as guidelines for the preparation of financial statements. The Government of Siak Regency itself refers to Siak Regency regulations. The use of SAP in Regional government accounting is expected to be more accountable, auditable and publicly understood.

Siak Regency makes accounting reforms by transitioning from initial cash base to accruals and accruals to new accrual base. It is conducted to ensure changes are not made directly but through transitions through 2006 through 2011, therefore Siak Regency fully implements accrual basis accounting systems. Siak Regency does not carry out accounting reform and conduct *bimtek* (technical guidance or empowerment) between OPD. Regional Finance Agency forms guidelines to train Human Resources in mastering Government Accounting Standards. It would support Siak Regency in implementing Governmental Accounting Standards (SAP) and create Regional Government Accounting Policies.

Siak Regency Government reforms cannot be separated from the supporting and inhibiting factors. Supporting factor is the commitment of regional heads to reform Regional financial management in increasing Regional revenue, despite limitations that inhibit bureaucracy reform. The inhibiting factor is the lack of public awareness in paying tax and mandatory retribution, and also inadequate information and technology systems which affect in the form of inadequate competence of apparatus resources.

CONCLUSION

The conclusions of the research are described as follows.

The relatively low increase of PAD is caused by the lack of utilization of potential sources of PAD, especially Regional taxes, and levies. whereas the Siak Regency has a large potential of regional. The tax collection system is not fully developed.

Siak Regency also has considerable regional retribution potential but has not been developed and optimized. Therefore it has not been able to contribute significantly to PAD. The types of these potential retributions are health service levies, permit disruptions, and levies for solid waste services.

There are several obstacles faced, so the contingent of Regional taxes and levies on PAD has not been optimal. The obstacles are described as follows:

- Poor tax collection management as a result of the government's low sensitivity in identifying potential sources of increasing PAD;
- Data on tax object is less accurate as a result of the low competence of human resources of the tax and retribution management apparatus.
- Target is not based on the facts on the ground (based on potential) and does not use accurate analysis, but only based on historical data and estimates from the previous year.

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