

Analysis of Local Government Financial Administration Systems and Procedures at The Office of The Regional Financial and Asset Management Agency (BPKAD) of Palu City

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Abstract. The management of regional finances and assets plays a crucial role in achieving development goals and community welfare. This study examines the financial administration system at the Regional Financial and Asset Management Agency (BPKAD) of Palu City, focusing on effectiveness, efficiency, transparency, accountability, and the use of information technology. Using a qualitative descriptive method, the research involved observations, interviews, and documentation. The findings reveal challenges in managing regional finances, including insufficient data on fixed assets, limited human resources, and inadequate expertise in asset accounting. While implementing information systems like SIPD and SIMDABMD has improved efficiency, human resources and data management issues persist. The study recommends enhancing staff capacity through training, regularly updating asset data, and strengthening data verification processes to address these. These steps aim to improve transparency and accountability, ultimately supporting better regional financial management and community welfare.

Keywords: Regional Financial Management, Palu City BPKAD, Information Systems, Accountability, Transparency.

1 Introduction

Local governments have an important role in managing regional finances and assets effectively and efficiently to ensure the achievement of development goals and community welfare. One of the institutions responsible for this management is the Office of the Regional Financial and Asset Management Agency (BPKAD) of Palu City. BPKAD Palu City is tasked with managing regional finances and assets with the aim of improving the quality of public services and community welfare. However, in its implementation, BPKAD Palu City is faced with various obstacles that affect the effectiveness and efficiency of regional financial and asset management.

One of the main obstacles faced by BPKAD Palu City is the limitation of fixed asset supporting data and the limitation of human resources. Limited supporting data can cause inaccuracies in

asset management, while limited human resources can result in delays in the implementation of asset management. In addition, the implementation of fixed asset accounting also faces challenges in terms of limited employee capabilities, which results in the accounting process not fully following applicable regulations [1].

To overcome these obstacles and increase the effectiveness of regional financial and asset management, BPKAD Palu City needs to implement more effective and efficient systems and procedures. The use of information technology is one of the solutions that can help in data collection and processing and improve the ability of employees to carry out the accounting process [2]. Thus, it is hoped that the management of regional finances and assets can run more transparently, accountably, and in accordance with applicable regulations.

This study aims to analyze the system and procedures of local government financial administration in BPKAD Palu City by using a descriptive analysis method. The purpose of this study is to assess how effective and efficient the financial administration system and procedures implemented by BPKAD Palu City, measure the level of transparency and accountability in financial management, analyze the use of information technology in the financial administration process, and identify the obstacles faced and propose solutions to overcome these problems.

Thus, this research is expected to contribute to improving the management of regional finances and assets in BPKAD Palu City, as well as providing recommendations for the improvement and improvement of existing systems and procedures so that they can support the achievement of development goals and the welfare of the people of Palu City.

2 Literature Review

2.1 Regional Financial Administration System

The regional financial administration system is a series of procedures used to record, manage, and report local government financial transactions. The system includes various components such as accounting software, internal control procedures, and financial policies that aim to ensure that regional financial management is carried out efficiently, effectively, and transparently.

According to [3], the regional financial administration system must be able to provide accurate and timely information to support decision-making. This involves various aspects, including the regional financial management information system (SIMDA) which is designed to help with overall financial management from budget planning to financial reporting.

Furthermore, [4] emphasized the importance of internal control in the regional financial administration system. These internal controls include internal audit procedures that serve to ensure that all financial transactions are recorded correctly and in accordance with applicable regulations.

2.2 Regional Financial Administration Procedures

Regional financial administration procedures are operational steps taken by local governments in managing public finances. These procedures include budget planning, budget implementation, bookkeeping, reporting, and financial accountability.

[5] explained that the procedure for regional financial administration must follow the budget cycle starting from planning, ratification, implementation, to evaluation. Each stage in this cycle must be carried out with the principles of transparency and accountability to ensure that public funds are used in accordance with the objectives that have been set.

Meanwhile, according to [7], regional financial administration procedures must also include effective supervision and control mechanisms. This includes internal and external audits and reporting systems that allow real-time monitoring of budget usage.

2.3 Regional Financial Management

Regional financial management is the process of regulating and controlling local government financial resources to achieve development goals and public services. This management includes planning, budgeting, implementation, administration, reporting, and supervision of regional finances.

According to [8], good regional financial management must be based on the principles of transparency, accountability, efficiency, and effectiveness. The implementation of these principles will increase public trust in local governments and ensure that public funds are used optimally.

In addition, [9] emphasized the importance of community participation in regional financial management. This participation can be in the form of involvement in the budget planning process and supervision of budget implementation. Thus, regional financial management is not only the responsibility of local governments, but also involves the community as the main stakeholders.

3 Research Methods

The research method used in this study is a descriptive qualitative method. The focus of this research covers four main aspects in BPKAD Palu City: financial administration system, financial administration procedures, financial transparency and accountability, and the use of information technology in financial administration. The object of the research includes mechanisms, technologies, and methods used in managing and recording regional finances; operational and administrative steps in the financial administration process; the level of openness and responsibility in reporting the use of public funds; and evaluation of the application of information technology in financial administration.

The subjects of the study are officials and staff of BPKAD Palu City who serve in the field of administration and accounting. Data collection techniques include observation, in-depth interviews, and documentation. Observations are carried out to understand the work context and

the system applied. In-depth interviews are conducted with officials and staff to obtain detailed information regarding mechanisms, procedures, transparency, accountability, and use of information technology. Documentation includes the collection of documents such as financial statements and operational guidance.

The collected data is analyzed qualitatively through data reduction, data presentation, and conclusion drawn. Data reduction is done by sorting and summarizing relevant data. The presentation of data is made in the form of a descriptive narrative to facilitate understanding of systems and procedures. The conclusion was drawn based on the findings that had been analyzed, with recommendations for improvements to the financial administration system and procedures at BPKAD Palu City. This research is expected to provide a comprehensive overview and contribute to the improvement of regional financial management.

4 Results and Discussion

Local governments have an important role in managing regional finances and assets effectively and efficiently to ensure the achievement of development goals and community welfare. One of the institutions responsible for this management is the Office of the Regional Financial and Asset Management Agency (BPKAD) of Palu City. BPKAD Palu City is tasked with managing regional finances and assets to improve the quality of public services and community welfare. However, in its implementation, BPKAD Palu City is faced with various obstacles that affect the effectiveness and efficiency of regional financial and asset management.

4.1 Roles and Responsibilities of BPKAD Palu City

The Palu City Regional Finance and Asset Management Agency (BPKAD) has an important role in regional financial management which includes various interrelated aspects. Based on the results of the interview, the roles and responsibilities of BPKAD Palu City include several main functions, namely:

1. Budget planning is the initial stage in the regional financial management cycle. BPKAD Palu City is in charge of preparing a budget plan that covers all financing needs to carry out local government programs and activities. This budget planning process involves various stages, ranging from the identification of needs, the preparation of work plans, to the preparation of regional revenue and expenditure budgets (APBD). Good budget planning aims to ensure that regional fund allocations can meet development priorities and community welfare effectively and efficiently.
2. Financial Business Structuring, including the regulation and management of all aspects of regional finance. BPKAD is responsible for formulating financial policies, regulating the flow of receipts and expenditures, and ensuring that all financial transactions are carried out in accordance with applicable regulations. Good financial business structuring helps maintain regional financial stability and ensures that regional funds are used optimally.
3. Financial Management, includes all activities related to the receipt, storage, expenditure, and reporting of regional funds. BPKAD Palu City manages regional

revenue sources such as Regional Original Revenue (PAD), transfer funds from the central and provincial governments, and other sources of income. Furthermore, the funds received are stored in the regional general treasury and managed in accordance with the needs and priorities that have been set in the budget. The process of disbursing funds is carried out through a Fund Disbursement Order (SP2D) issued at the request of the Regional Apparatus Organization (OPD) after going through a series of stages of verification and approval.

4. Accounting, is the process of recording, classifying, and reporting all regional financial transactions. BPKAD Palu City is tasked with ensuring that all financial transactions are recorded accurately and transparently in accordance with applicable government accounting standards. This includes the preparation of financial statements that provide a complete picture of the region's financial condition. Financial statements prepared by BPKAD must be able to provide relevant and reliable information for interested parties, including the central government, local governments, and the community.
5. Regional Asset Management, includes all activities related to the acquisition, maintenance, and disposal of regional-owned assets. BPKAD Palu City is responsible for ensuring that all regional assets are managed properly, starting from recording, utilization, to reporting. Effective asset management helps in maintaining the value of assets, preventing loss or damage, and ensuring that these assets are used optimally to support public services and regional development.

All of these roles and responsibilities are carried out by the Palu City BPKAD in accordance with Presidential Regulation Number 33 of 2020, which regulates regional financial management. This regulation provides a clear framework for BPKAD in carrying out its duties to ensure that regional finances and assets are managed in a professional, transparent, and accountable manner. Thus, BPKAD Palu City has a broad and complex responsibility in supporting regional development through effective and efficient financial and asset management.

4.2 Financial Administration System and Procedure

The financial administration system and procedures at BPKAD Palu City are based on various regulations that aim to ensure that regional financial management is carried out efficiently, transparently, and accountably. Some of the main regulations that are the basis for financial administration in BPKAD Palu City include:

1. Permendagri Number 77 of 2020

Permendagri (Regulation of the Minister of Home Affairs) Number 77 of 2020 provides guidelines for regional financial management which includes planning, implementation, administration, reporting, and regional financial accountability. This guideline regulates the procedures for the preparation of the APBD (Regional Revenue and Expenditure Budget), regional cash management, receivables management, and regional investment management. This regulation aims to improve the efficiency and effectiveness of regional financial management and ensure that the entire process is carried out in accordance with the principles of good governance.

2. Permendagri Number 64 of 2013

Permendagri Number 64 of 2013 regulates the application of accrual-based government accounting standards. This accrual-based accounting standard requires that all financial transactions be recorded at the time they occur, not just when cash is received or paid. With the application of this standard, the resulting financial statements will provide a more accurate picture of the local government's financial position, financial performance, and cash flow. This is important to increase transparency and accountability in regional financial management.

3. Guardian Number 29 of 2014

Guardian (Mayor Regulation) Number 29 of 2014 regulates accounting policies in Palu City. This policy explains the accounting principles and methods that must be applied by BPKAD Palu City in the preparation of financial statements. The policy also includes guidelines for the recording, classification, and reporting of financial transactions in accordance with applicable accounting standards. The goal is to ensure the consistency and comparability of financial statements prepared by local governments.

4. Law Number 17 of 2003

Law Number 17 of 2003 concerning State Finance provides a legal basis for the management of state finances, including regional finances. This law establishes general principles of state financial management, such as transparency, accountability, efficiency, and effectiveness. In addition, this law regulates the preparation of the State Budget/APBD, cash management, debt management, and state financial supervision.

Process of Receiving, Storing, and Disbursing Regional Funds:

1. Admission Process:

The process of receiving regional funds involves receiving Regional Original Revenue (PAD) and transfer funds from the central and provincial governments. This revenue is recorded in the regional general treasury, which is the storage place for all funds received by the local government. PAD revenues include various sources of income such as regional taxes, levies, regional wealth management results, and others. Meanwhile, the transfer funds include the General Allocation Fund (DAU), the Special Allocation Fund (DAK), and other transfers from the central government.

2. Storage Process:

After the funds are received, the storage process is carried out by keeping the funds in the regional public treasury. BPKAD is responsible for ensuring that funds stored in the regional public treasury are managed safely and efficiently. This storage process involves managing regional cash accounts, recording all receipts and expenditure transactions, and ensuring the availability of funds to finance local government programs and activities in accordance with the predetermined budget.

3. Production Process:

The process of disbursing regional funds is carried out through several stages, namely:

- a) SPJ (Letter of Responsibility): Before disbursing funds, OPD (Regional Apparatus Organization) must prepare an SPJ that contains details of the use of funds and evidence of expenditure.
- b) SPP (Payment Request Letter): After the SPJ is prepared, the OPD submits the SPP to BPKAD. SPP is an official request from OPD for disbursement of funds.
- c) SPM (Payment Order): After the SPP is verified and approved, BPKAD issues an SPM which is an order to pay a certain amount of funds to the OPD concerned.
- d) SP2D (Fund Disbursement Order): The last stage is the issuance of SP2D by BPKAD, which is an official instruction to disburse funds from the regional general treasury to the recipients designated in the SPM.

This process is designed to ensure that all regional fund expenditures are carried out transparently and accountably, as well as in accordance with the budget that has been set

4.3 Use of Information Systems

In the digital era, the use of information technology is very important to improve the efficiency and effectiveness of regional financial and asset management. BPKAD Palu City utilizes two main information systems in regional financial management, namely SIPD (Regional Government Information System) and SIMDABMD (Regional Property Management Information System). These two systems are designed to assist BPKAD in carrying out its duties in a more structured and transparent manner.

1. SIPD (Local Government Information System)

SIPD is a system developed by the Ministry of Home Affairs to facilitate financial management and regional development planning. SIPD has several modules that cover all aspects of regional financial management, ranging from budget planning, budget implementation, to reporting and accountability.

2. SIMDABMD (Regional Property Management Information System)

SIMDABMD is an information system specifically designed for regional asset management. This system includes various functions that assist BPKAD in managing regional property, ranging from recording, utilization, to asset deletion.

With the proper use of information technology and continuous efforts to overcome obstacles, BPKAD Palu City is committed to improving the efficiency and effectiveness of regional financial and asset management. This is expected to support the achievement of development goals and the welfare of the people of Palu City better.

4.4 Obstacles and Problems in System Implementation

BPKAD Palu City faces various obstacles and problems in the implementation of the regional financial and asset management system. Some of the main obstacles faced include:

1. Limited Human Resources

It is one of the main obstacles that affect the effectiveness and efficiency of regional financial and asset management. The limited number of employees causes a high workload for existing employees. This can result in burnout, decreased productivity, and potential errors in financial and asset management. Not all employees have adequate competencies and skills in financial management and fixed asset accounting. This limitation may result in the financial recording and reporting process not being carried out in accordance with applicable standards and regulations. Budget and time constraints are often an obstacle in providing adequate training and development for employees. Without proper training, employees may find it difficult to keep up with changes in regulations and new technologies applied in financial and asset management.

2. Limited Data Supporting Fixed Assets

Complete and accurate supporting data is very important in the management of fixed assets. However, BPKAD Palu City faces several obstacles related to incomplete or not regularly updated fixed asset inventory, which can cause inaccuracies in asset recording and reporting. This can have an impact on the discrepancy between the recorded asset data and the actual conditions in the field. Incomplete or unavailable documentation can make it difficult to verify and validate asset data. Without adequate documentation, it is difficult to ensure the legitimacy and existence of fixed assets. Limitations in the maintenance and updating of asset data may result in inaccurate and up-to-date information. This can affect decision-making related to asset management and utilization.

3. Limitations of Employee Ability in Fixed Asset Accounting

The implementation of fixed asset accounting requires a deep understanding of applicable accounting standards and regulations. Although there are regulations that regulate the implementation of accrual-based government accounting standards, its implementation still faces challenges. Some employees may not fully understand or are familiar with accrual-based accounting standards, so the recording and reporting of fixed assets is not fully compliant with these standards. Errors in recording fixed assets can occur due to a lack of understanding or accuracy of employees. These errors can have an impact on inaccuracies in financial statements and assets that are not recorded correctly. Limitations in the supervision and verification of asset data can lead to unidentified or unreported assets. Weak supervision can result in misuse or loss of assets.

To overcome these obstacles, BPKAD Palu City needs to take several strategic steps, including:

1. Increasing the Capacity of Human Resources

BPKAD needs to increase the capacity and competence of employees through continuous training and development programs. Relevant training can help employees understand the latest accounting regulations and standards, as well as improve their skills in the use of information systems used in financial and asset management.

2. System and Procedure Improvement

BPKAD needs to improve financial and asset management systems and procedures to ensure that all processes are carried out in accordance with applicable regulations. This includes regular asset inventory updates, improved documentation, and maintenance of accurate data.

3. Use of Information Technology

The use of advanced information technology can help overcome limitations in data management and improve operational efficiency. An integrated information system can better facilitate asset recording, monitoring, and reporting.

4. Supervision and Evaluation

BPKAD needs to increase supervision and evaluation of financial and asset management. Close supervision and periodic evaluations can help identify problems and take necessary corrective action.

By overcoming these obstacles, it is hoped that BPKAD Palu City can increase the effectiveness and efficiency of regional financial and asset management, as well as ensure that the management process is carried out in accordance with the principles of good governance. This will support the achievement of the development goals and welfare of the people of Palu City.

5 Conclusion

This study aims to assess the effectiveness and efficiency of the financial administration system and procedures of BPKAD Palu City, measure transparency and accountability in financial management, analyze the use of information technology, and identify and propose solutions to the obstacles faced. BPKAD Palu City has implemented systems and procedures in accordance with regulations such as Permendagri Number 77 of 2020, Permendagri Number 64 of 2013, and Law Number 17 of 2003. However, the implementation still faces obstacles such as limited human resources and incomplete supporting data.

The process of budget planning, financial management, and preparation of financial statements follows applicable standards, but there are still recording and reporting errors. Transparency and accountability can be improved through stricter oversight and evaluation. The use of SIPD and SIMDABMD has helped with efficiency and transparency, but there is a need for improvement in employee training and development to be more proficient in using the information system.

The main obstacles include limited human resources, data to support fixed assets, and the ability of employees in fixed asset accounting. Proposed solutions include capacity building through ongoing training, improvement of inventory systems and asset documentation to ensure accurate and up-to-date data, as well as further training on accrual-based accounting standards. By overcoming these obstacles and continuing to improve systems and procedures, it is hoped that BPKAD Palu City can manage regional finances and assets more effectively, efficiently, transparently, and accountably, supporting the development and welfare of the people of Palu City.

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