

# An Effective Performance Management Model in the Framework of Corruption Controls (In the Local Government of Bogor)

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## Abstract

Perspective about corruption becomes a daunting problem for the government bureaucracy. As a result, the absorption of local government budgets is low, as happened in Bogor Regency; 54.17% (Kopel Online (12-21-2015), Malang City, 46% (Terasjatim.com (12-4-2015), and Padang city, 45.50% (BentengSumbar.com (09-11-2015). This problem also happened also in Bogor City Government which has 35 Organization of Regional Device (OPD) The research aim to see what factors causing low of APBD absorption in Bogor City and not maximal performance SKPD in Bogor City which resulted the overall performance in Bogor City Government is inefficient and effective. The research uses preliminary data related to the problem, namely the absorption data of APBD funds in 2015, and the performance of officials against corruption crime. This research used qualitative method to answer the question in-depth subject matter, with data collection techniques through observation, indepth interview, focus group discussion (FGD), and document studies.

**Keywords:** *Bureaucracy, effectiveness, performance, corruption, management model*

## 1. Introduction

Regional autonomy has been enacted in Indonesia, among others through Law Number 22 of 1999 on regional governance. However, regional autonomy officially came into force on January 1, 2001. Under the law, the government's management work includes the system design, variable declaration, implementation mechanism, reporting process as well as evaluation and follow-up covering efficiency, quality, and effectiveness of programs, in which local governments are given the widest opportunity to take care of their own affairs (regional autonomy).

However, the flexibility as this autonomy mandates has also become rather tricky for local government managers to carry out their respective roles. Data shows that since the implementation of the new law, the Law Number 32 Year 2004 on Regional Government, local governments seem to have turned into a good place for corruption. Indeed, of the published records of corruption, not all officials involved in the corruption, but some did because of administrative errors, especially in physical project activities. That is, corruption can also be caused by procedural errors.

The perspective of corruption above becomes such a daunting problem for the government bureaucracy. As a result, the absorption of local government budgets has been low, as happened in Bogor Regency (54.17%) (Kopel Online, 21-12-2015), Malang City (46%) (Terasjatim.com, 4-12-2015), and Kota Padang (45.50%) (BentengSumbar.com, 11-09-2015)/ The problem also occurs in Bogor City Government, which has 35 Local Government Apparatus Organizations. Some information presents news about low budget absorption in Bogor City in 2015 (Table 1).

Table 1 Budget Absorption in Bogor City in 2015

No	Source of data / published on	Budget Absorption
1	Berita Resmi Kota Bogor / 5-1-2016	72.48%
2	Kopel Online / 21-12-2015	54.17%
3	Jbara Pojoksatu Online / 26-11-2015	47%

The data in Table 1 shows the budget absorption by the agencies within Bogor City Government did not meet the target. Our preliminary research indicates that this is related to the lack of bureaucratic leadership in performing optimal government duties as officials are afraid of being accused of corruption, following the case of the Head of

Cooperative of MSME of Bogor City and West Bogor District as suspect of abuse of authority and position. Head of the Work Units, such as the Head of the Office of Development and Settlement Supervision and the Head of Population and Civil Registry, have even submitted a request to resign to the Mayor at Staff Briefing at the City Hall (Pojok Jabar, November 7, 2016).

This can certainly affect the performance management of Bogor City Government as a whole. The expectation gap may occur, potentially causing disharmony between government agencies and the direct users or the community. Expectation gap occurs when the community expectations cannot be met by the actual services based on the quality guideline for the management of an organization that provides public services (Mahsun, 2012).

Hilmi Abdullah (2004) examines the influence of clarity of budget targets, accounting controls, and reporting system on the performance accountability of government agencies at the districts and regencies in the Special Region of Yogyakarta. The result of the analysis shows that the clarity of budget target, accounting controls, and reporting system have a positive and significant impact on performance accountability of local government agencies.

Hendro Sumarjo writes about the effect of the characteristics of local government on local government financial performance. The result of this study shows there is influence of local government characteristic to financial performance of local government.

State of the art of this study confirms differences with previous researches, as we seek to examine factors inhibiting the performance of Bogor City Government. The research will strive to formulate appropriate work management model, so it can be used by local government to motivate its apparatus to implement the program maximally, responsibly, and in accordance with the main duty and function based on applicable laws and regulations.

From the above explanation, the purpose of the study is as follows: (1) examining the factor affecting low budget absorption in Bogor City; (2) examining the effect of corruption cases on the performance of agencies in implementing work program and budget absorption; and (3) analyzing the effect of unpreparedness of agencies in implementing work program on the acceleration of development.

Several previous studies were used as references in this research separately, Effective performance by Ates, A., et al. (2013); Hinton, M. and Barnes, D. (2009); Ingram, H. and McDonnell, B. (1996); Mayfield, M. and Mayfield, J. (2011); Tumwine, S., et al. (2015); Management model by Goncharuk, A.G. and Monat, J.P. (2009); Logman, M. (2004); Muniz, J., et al. (2010); Podobnik, D. and Dolinšek, S. (2008); Wang, C. and Hwang, S. (2004); Framework of criminal by DeLisi, M., et al. (2017); Gottschalk, P. and Smith, R. (2011); Sergi, A. (2015); Smith, R. (2013); Trojan, C. and Salfati, G. (2016); Acceptance of corruption by Dion, M. (2010); Graycar, A. and Masters, A.B. (2018); Prabowo, H.Y. (2014); Quah, J.S.T. (2014); Quah, J.S.T. (2016); The originality for this paper shows the comprehensively the effective performance, management model, framework of criminal, framework of criminal

## **2. Literature Review**

### ***Government Performance***

In general, performance refers to the achievement in the implementation of an activity or program to realize goals, objectives, vision, and mission of an organization (Herminingsih, 2009; Mangkunegara, 2007; Lebas, 1995; Mustopadidaja, 2002; Wibowo, 2007; Hawkins, 1979; Armstrong & Baron, 1998; Prawirosentono, 1999). According to Government Regulation Number 8 Year 2006, performance is the output or outcome of the activity or program to achieve or has been achieved in connection with the use of budget with quantity and quality measured. Thus, performance reflects the results or work performance that can be achieved by a person, work unit, and or an organization at a certain period in accordance with the authority and responsibility in an effort to achieve objectives legally and in accordance with moral and ethics.

### ***Work Psychology***

Psychology discusses human behavior in relation to its environment. Work psychology is the study of human behavior in relation to the world of work (Dakir, 1993, Anoraga, 2001; Berry & Houston, 1993).

In psychology, one of the sources of work failure is work stress, which is a form of a person's response, both physically and mentally to a change in environment that is perceived as disturbing and threatening. Work stress can lower the body's resistance to disease attacks, consequently workers tend to frequent and susceptible to disease so less concentrate with the work.

### ***Work management model***

Performance management is an activity to ensure that organizational goals are achieved consistently in effective and efficient ways. Performance management can focus on the performance of an organization, department, employee, or even process to produce a product or service, as well as in other areas. In both organizational and individual environments, one of the key functions of management is measuring and managing performance. Between ideas, actions, and results, a journey must be taken. In addition, perhaps the most

commonly used word describes the progress of the journey and the result is “performance” (Brudan, 2010). A model is a symbolic representation of an object, process, system, or idea. Models may be graphical, verbal, or mathematical images. The main difference between theory and model is that theory is an explanation, while the model is only a representation.

The model is a representation of a real or abstract phenomenon, highlighting the essential elements of the phenomenon. According to Mulyana (2007), each model has advantages and disadvantages and can only be measured based on its usefulness with the real world, especially when capturing the data in research.

From that thought, the performance management model is a simple illustration of a work process that shows the relationship between the components with other components. A performance management model plays some functions; first, it describes the work process; second, it shows the visual relationship; and third, it helps in finding and improving work process.

In the work management model, there will be strategies in achieving work goals. Specific strategies for achieving these objectives include giving hope, identifying and encouraging the strengths of personnel and social assets, choosing problems into sections so they are easier to solve, and maintaining a focus on the goals and ways of achieving them (Barker, 1987).

### **Corruption**

Corruption is a very serious problem and needs to be considered, as it can endanger the stability and security of the State and its people, the social and economic development of society, politics, and even damage the democratic values and morality of the nation because it can become a trend.

In the legal perspective, the Law Number 31 of 1999 has explained the limits of corrupt practices about Corruption Crime. Corruption is an action taken by any person who unlawfully try to enrich himself or others or a corporation that may harm the State or state economy, which can be punished with life imprisonment or minimum 5 years imprisonment and a maximum of 20 years and with a fine of at least 200 million rupiah and at most 1 billion rupiah. There are at least 30 articles that show the forms or types of corruption that can be categorized as related to corruption.

While the mode of corruption of officials in the regions, according to the Corruption Eradication Commission<sup>1</sup> in 2010 (Djaja, 2009) are (1) marking up prices and changing the specification of goods in the procurement of government goods and services, (2) using the remaining funds for personal and/or group benefit, (4) manipulation of the remaining budget, (5) manipulation in forest licensing process, (6) gratification from regional development banks, (7) social assistance not following the legal procedures, (8) using the budget for personal and/or group benefit, (9) issuing local regulation on tax revenue, (10) *ruislag* or marking down the price in a land exchange process, and (11) accepting bank fee

### **3. Research Method**

This study uses a qualitative approach that is oriented to the explanation of descriptive data from the object under study by directing approaches to the background and object, in such natural and holistic manner (Amalia *et al.*, 2011; Bogdan *et al.*, 1977). Qualitative research is used in this study because the data can only be obtained from relevant sources or not randomly chosen sources. Data from resource persons can produce in-depth explanation and can be accounted for as valid research data. The determination of the qualitative approach is because the focus of this study is the reality that most cannot be measured quantitatively but is understood based on observations and reports from the perspective of informants related to the work program of agencies in Bogor City. Through qualitative methods, research seeks to see, observe, and collaborate on factors that affect the performance of heads of agencies in Bogor. This approach aims to gain understanding and illustrate the reality about the unpreparedness of program implementation in Bogor City.

The study involves 10 agencies in Bogor City whose budget absorption is low. The secondary location is other agencies and in the secretariat of Bogor City Government. Research subjects in qualitative research are people who will be asked information about the object under study (Komarudin, 1987). Key informants are heads of agencies related to the subject matter and recorded in the mass media. Other informants to produce data validity are the heads of other agencies, the Mayor, and officials at the Bogor City Government Secretariat. The object of research focused on factors causing low budget absorption and attitude of heads of agencies on corruption related to implementation of work programs.

Data in this study consist of primary and secondary data (data from document). The data collection in this research is done as follows: (1) observation or looking at the physical data in the field; (2) in-depth interview by interviewing informants; (3) Focus Group Discussion (FGD), i.e. data collection involving resource groups to share their opinions, perceptions, and attitudes towards the object of research; (4) document study or studying document related to the research, and the results are used to strengthen or test the truth of data obtained from

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<sup>1</sup> KPK

research informants. FGD results can be assessed as research data, especially to formulate the work management model.

To ensure the validity of qualitative research data, researchers pay attention to the authenticity and trustworthiness of the data obtained. The validity of the research is achieved by taking into account the following factors: credibility, transferability, conformability, dependability, and openness (Bungin, 2005). To examine validity of the data, triangulation is done, i.e. utilizing others from outside the data for the purposes of checking or as a comparison of the data. Following the Miles and Huberman Model (1992), the analysis of the data selected consists of data collection, data reduction, and drawing conclusions that include conclusion making and verification. One stage with the other is not a separate activity but a connected one, interlocked and uninterrupted.

## 4. Results and Discussion

### 4.1. Analysis on Financial Performance of Bogor City Government

Analysis on the financial performance of the government of Bogor City is basically done to assess the financial performance in the past. The financial performance is measured by using the analysis of financial ratios described as follows.

Bogor is a part of West Java Province, a city famous with *kujang* as a heritage and botanical garden. The city becomes a headline due to the unusual absorption of funds for the development and management of the city. Budget absorption is still very low, seen from the remaining budget of 2014 fiscal year, that is up to IDR 53,000,000,000 as the. Increased remaining budget is in line with low budget absorption, which only reach 72.48%. Based on the report per December 2015, budget absorption in Bogor City Government reaches 60.36%. (Mayor of Bogor, Bima Arya 2016).

The absorption of the budget has greatly influenced by the performance of the Local Government Apparatus Organizations. Junedi Samsudin, a member of the Local House of Representative<sup>2</sup>, the realized capital expenditure from the first semester I was only 2.77% or around IDR 56,000,000,000 of the total capital expenditure of IDR 2,020,000,000,000. The above data shows that the apparatus organizations' performance is not yet effective. Another indicator of the weak performance is the slow development of Bogor, in which agencies working well is only Cleaning and Landscaping Agency<sup>3</sup>, as it builds many new parks and award receives Adipura (Mayor of Bogor, Bima Arya, 2016).

According to Bogor City Secretary, Ade Sarip Hidayat, and Junedi Samsudin (2016), agencies with the lowest budget absorption is the Regional Road Offices and Water Resources<sup>4</sup>, as it leaves many unfinished projects, as well as unfinished land acquisition. The budget absorption in the Regional Road Offices and Water Resources is only about 0.3% of the target IDR 783,659,862. The case is similar for the Health Office<sup>5</sup>, as it uses only 0.87% of the budget from the target of IDR 70,000,000,000.

From the data, there is an indication of corruption against the management of local funds and this is directly related to officials in the agencies. The performance of these government agencies is not in accordance with the needs and rights of the community resulted in the low absorption of funds that targets are not achieved.

Many parties recognize that the work program implemented in Bogor city seems to be not planned well that the implementers are not ready for them. The Mayor also admits the circumstance and promises to evaluate and coordinate with the executors or agencies and related implementers. Bogor government has difficulty in arranging activities and programs that there seem to be low harmony between the plans and the actual needs.

There has not been any auction in the fiscal year concerned. Budget is managed and owned by agencies, and so planning and implementation is decided by these agencies. Agencies may hold the auction in the previous year, yet it depends on their readiness.

According to Syarifah, the Local Planning, Research, and Development Agency<sup>6</sup> is just an agency to accommodate all plans. Discussion follows in *Musrenbang* (local discussion forum) as to decide which plans to be prioritized. This discussion is more than possible to be done a year before.

Director of Legal Matters of Preliminary Unaudited Central Government Financial Report<sup>7</sup>, Setya Budi Arijanta, explains that the problem of auction delay occurs in almost all regions, which results in the slow development of infrastructure and public services. The majority of them, i.e. Budget Users<sup>8</sup>, Proxy of Budget

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<sup>2</sup> DPRD

<sup>3</sup> Dinas Kebersihan dan Pertamanan

<sup>4</sup> Bina Marga dan Sumber Daya Air

<sup>5</sup> Dinas Kesehatan

<sup>6</sup> Bappeda dan Litbang

<sup>7</sup> LKPP

<sup>8</sup> PA

Users<sup>9</sup>, and KDP, do not know the mechanism. They do not follow the new rules, and yet stick to the old ones, although the new ones offer better results.

The delay of auction, which is in the middle of the year, indicates rather bad planning. Budget users can file an auction file to the Procurement Services Division<sup>10</sup>, even though the budget has not been ratified. Thus, they actually can do the work at the beginning of the year, (Chairman of Commission III Local House of Representative, Wawan Haikal Kurdi).

The low absorption of the budget is not only a problem at the national level, but also hit various agencies in the region. There are various causes, ranging from 1) the lack of apprehension of the budget management apparatus at the agency level, 2) slow tender process, 3) slow establishment of budget, 4) lack of certified human resources; 5) weak initial planning, 6) weak internal control system in procurement of goods and services; and 7) the slow establishment of operational guidelines for activities funded by Special Allocation Fund<sup>11</sup>.

For example, according to Program Performance Reports / Activities of Regional Devices of Fiscal Year 2010 Quarter III, the absorption of Local Budget Level I at the Education Office of West Java Province until the end of September 2010 only reached 13.51% or very low.

The Level I Budget of 2010 allocated to West Java Provincial Education Office amounted to IDR 541,598,573,220. Of this amount, as of 30 September 2010 only IDR 73,189,817,114 or 13.51% used. Compared with other agencies within West Java Provincial Government, the Education Office ranks lowest in terms of budget absorption as of the end of September 2010.

Responding to the condition of low budget absorption in his office, the Head of Education Office of West Java Province, Prof. DR. Wahyudin Zarkasyi, C.P.A., confirms the main cause is that his staff rather uncertain to use the budget—once again, due to corruption cases.

He adds that although the West Java Provincial Government has already established the Procurement Services Unit<sup>12</sup>, there are often complaints and fears from the officers in performing their duties.

Wahyudin recounts that officials responsible for activities in the agency he leads, even himself, often have to face calls from law enforcement officials to clarify the various complaints that arise. This has an impact on the growth of doubt among officials, especially in the procurement process of goods or services. The lacks of employees who have a certificate of procurement of goods or services also become one of the obstacles in the process of absorption of local budgets.

The Head of West Bogor District related to the management of the budget states that in carrying out activities, the officials refer to the existing rules, i.e. Presidential Decree Number 54, and financial management refers to the regulation set by Minister of Home Affairs Number 13 of 2006. The activities are according to plans and budget absorption rate is up to 60% per July 2017. The officials do not face problems related to budget management because they always follow the rules. Examples for the current budget usage are the making of office buildings with budget allocation of 4.2 billion. The big fund makes the project has to go through an auction process.

### ***Auction Procedures***

The first step is submission of auction process to the Procurement Auction Unit in the Town Hall. The whole process is the authority of the Procurement Auction Unit. After the Procurement Auction Unit does the auction, the district is informed about the winner of the tender process. The Procurement Auction Unit determines auction participants.

Next, a system to support the development program is created, a planning team and supervisory team. The planning team will see if the work is carried out according to the plans and the supervisory team will see whether the material and personnel needs are as planned.

The supervisory team and the planning team are appointed by the district. There will also be a monitoring and evaluation team appointed by the head himself. Evaluation will be done if things go not as planned. The executor of the project will be called and results of evaluation will be delivered including the matters to improve.

In the process funding, budget will be given twice. The first step will pay 25% of the needed funds. Then, the project starts. If the project does not run as the plan then the rest 75% of the funds will not be delivered until the executor improve what needs to be improved.

Budget formulation refers to the Regional Medium-Term Development Plan<sup>13</sup>, which is interpreted in the Strategic Plans<sup>14</sup>, Work Programs<sup>15</sup> submitted to and reviewed by the Local Planning Agency to be discussed with the Local House of Representatives.

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<sup>9</sup> KPA

<sup>10</sup> BLPBJ

<sup>11</sup> DAK

<sup>12</sup> ULP

<sup>13</sup> RPJMD

Budget capability and priority are two things to consider in accepting the plans or programs. Before submitting the plans, a Detail Engineering Design (DED), related to the fund estimation of building construction, is made. The DED is submitted to the Planning Agency to be reviewed and discussed by the Local House Representatives. If it is approved, then the program can be run by the district.

Corruption will inhibit and even stop the development process. An example is the case of building *talud* or retaining walls in Pasir Jaya Sub-District, West Bogor District, in 2015. The retaining walls endangered not only the program executor, but also the local community because of low quality materials that the walls collapsed. This case then disrupted the performance of related agencies and officials, as the development project was useless, meaning that the funds were spent for no use, and a series of investigation process would follow to account for its performance.

The retaining walls would not have collapsed if the project was done carefully and followed technical specifications. The project went even more suspicious as the payment or funding went smoothly, even without evaluation on the walls built. There has been rumour that the executor of the project used low quality materials, not as specified. Investigation has been done to find out if this is true and to find out where the funds went. This is very unlawful according to state regulations as in Article 2 Paragraph (1) of the Corruption Law—corruption is an action taken by any person who unlawfully try to enrich himself or others or a corporation that may harm the State or state economy, which can be punished of at least 4 years imprisonment and a maximum of 20 years and a fine of at least IDR 200 million and at most 1 billion. Article 3 states that any person with the intention of committing an act of enriching himself or another person or a corruption and misusing the authority, opportunity, or means available to him/her because of the position, which could harm the state finance or economy, th person shall be punished with life imprisonment, or of at least for 1 year and maximum for 20 years and/or a fine of at least IDR 50 million and at most IDR 1 billion.

Surely, the performance or development program implemented by Local Apparatus Organizations is mutually supportive because a regional management program certainly covers all sectors of regional development. As an example, the collapsed case of the retaining walls wil affect the work program of other agencies, such as the one that run road improvement programs, development of villages, as well as water resources. The collapse of the retaining walls will result in uncontrolled flow of water during the high rainfall that will lead to flood. When many areas are flooding, the process of socialization, field study programs, road construction, park building, and others will be hampered.

However for the sake of improvement, the Mayor (Bima Arya) and the team conducted an evaluation by holding meetings with officials and officials to solve budget absorption problems. Work programs are in the process of revision and improvement adjusting to the level of readiness of the implementer for the realization of mission and vision.

#### 4.2. Analysis of Factors Affecting Performance

Based on previous research such as Shalikhah (2014), factors influencing performance and budget absorption at Salatiga City Government are (1) organizational commitment, and (2) understanding of financial management systems and procedures.

From the results of research conducted by Mertayani *et al.* (2015), the quality of human resources greatly affect performance of the work units of Bangli Regency. In theory, the Government Regulation Number 8 of 2006 on financial reporting and performance of government agencies states that the financial statements are a form of accountability of the state and local financial management for a certain period. In the framework of good local financial management, local governments must have quality human resources with good educational background in accordance with their responsibilities.

The factors found in the previous studies may also be factors affecting performance of Bogor Government, especially the quality of human resources, take an example the corruption case of the previous Head of West Bogor. However, his successor explained that the case is not corruption. Disposal of land rights is one of the authorities of the head of the district as the heads acts as temporary Land Titles Registrar<sup>16</sup>. Whoever leading the district at that time of land acquisition would surely be involved in the case, as the head has to conduct the responsibility. The head had to sign the release of land rights, and this was the beginning of the state losses by the MSME Office<sup>17</sup> as the office had to pay for the land. The head only signed the document for the release process and the MSME Office instructed the Regional Treasury to pay for the land. The previous head of the district only did what he was supposed to be; he did not receive any money from a third party. The price of the land was negotiated by the MSME Office. The land acquisition also involved an Appraisal Team, which was appointed by the city officials.

<sup>14</sup> Renstra

<sup>15</sup> Program Kerja

<sup>16</sup> PPAT

<sup>17</sup> Dinas UMKM

Such that case has affected the performance of the human resources. According to the successor of the previous head of the district, the first three (3) months were so hard. He had to work hard to help his staff regain their self-confidence. The staff felt under pressured as their previous leader, who was considered a honest and good person, was committed crime. The staff was afraid of using the available funds as they thought that it might someday lead them to the prison as accused of committing corruption. The new head of the district had to help the staff change their mindset—leading them to think of the needs of the community. Things are getting better these days.

The head of the district believes that implementation must be made carefully. He stated, “We have to follow the rules. We have to supervise, introspect, and remind each other. We work in one unite system. We have to do our work as a team well. One part of the system makes a mistake then other parts may also feel the impact.”

He further added, “As a leader, I have to be more careful in discharging the land rights. Land always is a sensitive matter. Not being the head that matters, but being a temporary Land Titles Registrar. When I sign the deed of land purchase, the responsibility is personal, not as the district head. The authority of coordination, facilitation, and implementation for a district head is limited to social and limited-scale licensing, Building Permit<sup>18</sup> less than 150 meters of land, and single residence. I simply follow the existing rules.”

“The case reminds the officials to be more careful in using the budget. West Bogor has implemented a service free of any charge except related to licensing. If there are misbehaved officials, people can report to me directly. Also now, for the procurement of goods such as computers, we already use E-Catalog (Bhineka.com), as it provides a price, so as to minimize the misappropriation. We also continue to improve internal supervision because weak supervision opens up opportunities.”

In addition to the quality of human resources, the other factor that affects the performance is the way the officials run programs. However, the district head refuses this. He said, “It is not the policy, but the implementation. Officials have to better understand the rules that exist. There are guidelines in the process of running a program with funds from the local or central government. Take an example the procurement of facilities or infrastructure in villages. If there are no technical guides, we refer to the rules in general, which refers to the regulation set by Minister of Home Affairs Number 13 of 2006 on the Guidelines for Regional Financial Management. At the time of carrying out the work, subordinates must take discretionary policies, for example, to enter the school there should be a certain letter for poor families. According to the rule, residents can get such letter if they are listed in the registry. Well, if a person wants to get such letter stating that they come from the lower class and the person is not listed in the registry, the rules state that officials must not make such letter even if they know that the person does come from the lower class. Such situations often occur. Those choices are often faced by officials in the region.”

#### *4.3. The Financial Situation of Bogor*

In accordance with the applicable provisions, the accountability report on the use of budget of Bogor City Year 2014 should be delivered to the Local House of Representatives, before finally set in a regulation. At the end of last July, through a plenary session, Bogor City Government has submitted an accountability report on the implementation of budget in 2014.

The report is submitted completely in the document consisting of Realization Report of Budget, Balance as of December 31 of 2014 and 2013, Statement of Cash Flow, and Notes to Financial Statement. The completeness of the report is submitted in accordance with the provisions in Government Regulation Number 24 of 2005 on Government Accounting Standards, and Government Regulation Number 58 of 2005 on Regional Financial Management. In addition, the report has been through the audit process of the State Audit Board<sup>19</sup>.

The report highlights the followings. The City Revenue in 2014 was initially targeted to reach IDR 1,753,515,632,927. However, it could reach IDR 1,757,697,381,840 or 100.24% above the target set. The City Expenditure was initially set at IDR 1,992,827,363,625. However, in its realization, the expenditure in 2014 only reached IDR 1,702,962,476,448.00 or only 85.45%. Thus, in 2014, the realization of city revenue exceeded the realization of the expenditure, so there was a surplus of IDR 54,734,905,392. In Local Financing, there is a remaining fund of IDR 245,970,000,922.

Furthermore, the Balance set as of December 31 of 2014 showed total assets of IDR 6,263,429,999,065.65. The value of these assets increased by 15.18% as per December 31 of 2013, reaching IDR 5,438,033,205,130.55.

Meanwhile, the liability was closed with a value of IDR 107,325,790,100.67. This means that there has been an increase of 66.33% from 2013, because the liability value recorded was IDR 64,526,485,750.00.

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<sup>18</sup> IMB

<sup>19</sup> BPK

On the cash flow record of 2014, the remaining cash as of December 31 was IDR 300,704,906,314.00. The remaining cash increased by 2.15% when compared to the remaining cash as of December 31 of 2013, at which time it was recorded at IDR 294,245,909,954.00.

Based on the realization of Regional Revenues, Regional Expenditures, and Regional Financing, then in the management of Regional Budget 2014, the remaining budget was IDR 300,704,906,314.00.

According to the Head of Regional Accounting and Financial Reporting Division, Bogor City Financial and Regional Asset Management Board<sup>20</sup>, Jimmy Hutapea, the big budget remaining in 2014 was due to low budget absorption in the year. This especially is the low absorption for activities planned in the amended budgets.

In addition, there were also activities failed to run for administrative causes related to coordination with West Java Provincial Government. For example, the failure of the implementation of the construction of Sempur Bridge and Satu Duit in Warung Jambu with a value of IDR 10 billion each. Until the end of 2014, the City Government of Bogor had not completed these activities with a Detailed Engineering Design (DED). Meanwhile, the increase in Regional Revenue continues by the efforts of intensification and extensification of local taxes and levies. Increased Local Revenue continues to be pursued, in order to increase the needs of local spending which also continues to increase every year.

In response to that, in the General Policy of the Regional Budget and the Priority of the Provisional Budget of 2016, the regional revenue targets have been set to reach IDR 1,912,857,684,479.00, in which, among others, the Local Revenue is also targeted to increase up to IDR 670,999,897,863.00.

## 5. Conclusions and Suggestions

Based on the results and discussions presented, some conclusions can now be drawn. First, based on the analysis of local financial performance, generally it can be described that the financial performance of Bogor City Government in fiscal year 2005-2014 shows that the average local financial performance is not yet stable. This is indicated by financial performance indicator, among others, less fiscal decentralization due to the high financial dependence on the central government and the moderate financial independence of the region. The Local Revenue<sup>21</sup> of Bogor City has shown a growth with an average growth of 25.31 percent per year and the allocation of routine on average 59.75% of the allocation of local government spending. Second, the factors influencing the financial performance of Bogor City Government, i.e. investment, per capita income, and local taxes, show a positive and significant impact on the financial performance of Bogor City Government. Third, the strategies to improve the efficient and effective financial performance related to budget analyzed with AHP, based on the priority is as follows: (a) improving supervision, (b) training and education, (c) communication and commitment to the achievement of targets, (d) incentive and disincentive regulation, and (e) intensification and extensification of local taxes and levies.

Some suggestions related to the results of the study are as follows. First, based on the ratio of activities within the period of 2005 to 2014, routine expenditure allocation has been higher than development expenditure with an average of 59.75% per year. Allocation of development expenditure used to move the economy, provide health services and education for community is much smaller, only about 40.25% per year. Thus, the Bogor City Government needs to increase the ratio of development expenditure for public welfare. Second, the average budget not absorbed in the budgets is IDR 93.58 billion per year. The House of Representative of Bogor City needs to improve the supervision function as a balance of power to maximize the use of budgets—this will create a multiplier effect for economic growth in the city. One of the recommended programs based on this study is forming an evaluation and supervision team to increase budget absorption in all work units.

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<sup>20</sup> BPKAD

<sup>21</sup> PAD



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