

Improving Public Service to Achieve Good Corporate Governance for the Enhancement of Regional Revenue (PAD)

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Abstract: In providing public services, government officials are responsible for providing the best service to the community in order to create community welfare. Public services in the field of regionally owned companies are regional income from the net profits of regional companies in the form of regional development funds. Research problems include 1) why are public services in realizing good corporate governance not yet effective? 2) how can public services be improved to realize good corporate governance to increase Regional Original Income (PAD)? This research method uses an empirical juridical research type, namely research that uses a statutory regulatory approach, a conceptual approach and a comparative approach. The research results show that: 1) public services in realizing good corporate governance have not been effective, influenced by internal factors, namely demands for tariff adjustments and demands for welfare improvements. Meanwhile, external factors come from outside the company, including the national PDAM debt restructuring policy by the central government to regional companies by providing support for capital participation and tariff adjustments; 2) The regulation of public services in realizing good corporate governance is currently regulated by Government Regulation Number 54 of 2017 concerning Regional Owned Enterprises. This was formed to follow up on the mandate of Law Number 23 of 2014 concerning Regional Government. Consistent implementation of good corporate governance as the operational basis, which basically aims to increase business success and company accountability in order to realize shareholder value in the long term while still paying attention to the interests of other stakeholders, and based on statutory regulations and ethical values; 3) Improving public services in realizing good corporate governance to increase Regional Original Income (PAD) of Regional Public Drinking Water Companies requires the role of Regional Government by establishing cooperation with other parties in the procurement of goods/services by carrying out reforms in the procurement of goods/services by accommodating participation. the public as one of the pillars of good and clean governance, apart from that it is necessary to reconstruct the legal system for government procurement of goods/services which so far has only been regulated in Presidential Decrees. In the future, ideally procurement of goods/services will be regulated by law; and supervision by the community as control of government procurement of goods/services.

Keywords: Public Services, good corporate governance, locally-generated revenue

1. Introduction

Public service is a fundamental component of government administration and serves as a crucial indicator in assessing the government's performance, both at the central and local levels. Good governance is deemed to exist when public services are oriented towards the interests of the community. Quality public services have a direct impact on public satisfaction, as the community evaluates the performance of the services provided (Rafi et al., 2022).

High-quality services are typically delivered by officials with excellent performance through the enhancement of effectiveness, efficiency, professionalism, and accountability in the service itself. Quality service fosters customer satisfaction, as it encourages a strong connection between the customers and an institution (Adi, 2018). In the long term, such a connection enables an institution to thoroughly understand customer expectations and needs. Improving customer satisfaction involves maximizing pleasant customer experiences and minimizing or eliminating unpleasant ones (Erlianti, 2019).

According to Kotler and Armstrong (2017), customer satisfaction depends on the perceived performance of a product in delivering value relative to the buyer's expectations. Bowen and Chen (2001), defines customer satisfaction as an individual's level of contentment after comparing the performance (or outcome) experienced by the customer with their expectations. If the performance fails to meet expectations, customers will be dissatisfied. If the performance meets

expectations, customers will be satisfied. If the performance exceeds expectations, customers will be highly satisfied or delighted (Kotler & Armstrong, 2013).

The government strives to implement open and democratic governance in line with the desires of the wider community, including enhancing and optimizing public services provided to the public through effective, efficient, and transparent policies/regulations. The government must fulfill its duties to achieve good governance, allowing for clean governance to be realized (Rahayu & Murtinah, 2022).

In the context of regional autonomy, the financial resources of regions/local revenue (Pendapatan Asli Daerah - PAD) serve as a tangible, dynamic, harmonious, and responsible benchmark. Generally, a region is considered ready for regional autonomy if its PAD can make a significant contribution to the Regional Budget (APBD). The primary source of regional development funding should come from PAD, ensuring that the region is not dependent on central government subsidies. Accelerating regional development without the burden of influence from the central government aligns with the essence of regional autonomy, which involves independently managing all governance affairs except for the five matters still handled by the central government (Mustaqiem, 2006).

To effectively implement broad, real, and responsible regional autonomy, the ability to generate independent financial resources is necessary, leading to improved regional economies and PAD that ultimately enhances the well-being of the local population. In each Regional Government-Owned Enterprise (BUMD), the dividend payment proportion for shareholders is 55% (fifty-five percent), representing the contribution from post-tax profits.

Implementation of government procurement of goods and services is mandated to be conducted electronically or through e-procurement. This requirement applies to Provincial and District/City Governments, obliging them to conduct the procurement of goods and services electronically. The procurement process typically starts with direct transactions of buying/selling goods in the market (cash), then evolves towards deferred payment purchases, involving the creation of accountability documents (buyer and seller), and ultimately through a bidding process (Puspita & Gultom, 2024).

To ensure the optimal execution of the procurement of goods and services, both parties, namely the user and the provider, must consistently adhere to the philosophy of procurement, comply with the ethics and norms governing procurement, and follow standardized principles, methods, and processes of procurement (Pane, 2017).

Procurement involving providers of goods and services, whether businesses or individuals, is generally carried out through the selection of such providers. Government procurement of goods and services through direct procurement is done by procurement officers by directly purchasing goods or paying for services to the providers, without going through a bidding or selection process. Direct procurement essentially constitutes a regular buying and selling transaction where there is an agreement between the provider, who has goods and services to sell, and the procurement officer who needs those goods and services, at a specified price. In achieving legal certainty, which is one of the goals of having laws governing the enforcement of laws against deviations that may harm state finances and create legal uncertainty in the application of criminal or administrative sanctions, a sense of order in public life must be established. The need for order is a fundamental requirement for the existence of an orderly human society.

In practice, the parties involved are often deemed responsible if there are deviations in the procurement process. These parties are subject to criminal proceedings, and if found to have violated procurement regulations and procedures, they may face: 1) administrative sanctions; 2) claims for damages in civil court; and 3) criminal prosecution. Despite ongoing regulatory changes, cases of legal violations persist. During the implementation phase, issues leading to corruption are still prevalent. Common problems include: a) procurement officers not checking performance and advance payment guarantees; b) failure to conduct contract preparation meetings; c) lack of control over contract implementation; d) delays, incomplete, and/or fictitious work; and e. Inspection and handover reports not aligning with the actual work conditions (Rengganis et al., 2021).

Republic of Indonesia Law Number 2 of 2017 concerning Construction Services Article 42 paragraph (41) states that "Direct appointment as referred to in paragraph (1) can be done in cases: a. emergency handling for the security and safety of the community; b. complex work that can only be carried out by a very limited number of Service Providers or only by the right holder; c. work that needs to be kept confidential concerning national security; d. small-scale work; and/or e. specific conditions".

Paragraph (5) states "Direct procurement as referred to in paragraph (1) is carried out for packages with a certain value". Paragraph (6) states "Further provisions regarding specific conditions as referred to in paragraph (4) letter e and a certain value as referred to in paragraph (5) are regulated in Government Regulations". In addition to the above law, further regulations regarding construction services are found in Article 22 paragraph (3) of Government Regulation of the Republic of Indonesia Number 14 of 2021 concerning Amendments to Government Regulation Number 22 of 2020 concerning the Implementation Regulation of Law Number 2 of 2017 concerning Construction Services. Construction services include construction, maintenance, demolition, and/or reconstruction.

Presidential Regulation of the Republic of Indonesia Number 12 of 2021 concerning Amendments to Presidential Regulation Number 16 of 2018 concerning Government Procurement of Goods/Services, Article 9 (1) states that the Procurement Agency (PA) as referred to in Article 8 letter a has tasks and authority: Deviations occurring in Government Procurement of Goods/Services are present in every process of procuring goods/services, including budget planning, preparation planning for Government Procurement of Goods/Services, implementation of Government Procurement of Goods/Services, payment handover process, and in the supervision and accountability process.

In Article 1 paragraph (1) of the Presidential Regulation of the Republic of Indonesia Number 12 of 2021 concerning Amendments to Presidential Regulation Number 16 of 2018 concerning Government Procurement of Goods/Services, Number 40 Direct Procurement of Goods/Construction Work/Services by the Procurement Officer (PPK) in the Procurement of Goods/Services as referred to in Article 8 letter c has tasks: a) formulate procurement planning; b) carry out consolidation of procurement of goods/services; c) determine technical specifications/Work Reference Framework (KAK); d) determine contract drafts; e) determine the Estimated Contract Value (HPS); f) determine the amount of the down payment to be paid to the Provider; g) propose changes to the activity schedule; h) carry out e-purchasing for a minimum value above IDR 200.000.000.00 (two hundred million Rupiah); i) control the contract; j) store and maintain the integrity of all activity implementation documents; and k) report.

A flood control or retaining wall construction project worth billions of Rupiah at the PDAM Tirta Pakuan Kota Bogor is suspected to have been carried out without going through a bidding process, as required by prevailing regulations. This project is considered to be in conflict with Presidential Regulation Number: 70 of 2012 concerning the Second Amendment to Presidential Regulation Number 54 of 2010 concerning Government Procurement of Goods/Services. This regulation stipulates that projects with a value above IDR 200.000.000.00 (two hundred million Rupiah) must go through a public tender.

Based on information revealed by sources from PDAM Kota Bogor through General Director, they have received assistance from the prosecutor's office and LKPP in implementing the project. Another consideration is the emergency situation due to the potential landslide of the soil embankment in the location where the HDPE PDAM pipes are buried. We have consulted and received assistance from the prosecutor's office and LKPP regarding the project. This program is for the needs of thousands of residents in Kota Bogor who require water.

The construction of this embankment is in accordance with company regulations. "For emergency situations, appointments can be made without a tender or bidding process. The embankment project is only about 100 meters long. This was done because of community pressure and urgent needs, so direct appointment activities were carried out due to an emergency.

The results of the field investigation related to the embankment project of PDAM Kota Bogor raise a million questions. This is not without basis, as regulations governing local financial management in accordance with Article 31 and Article 32 of Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Mandatory Affairs That Are the Function of Regional Governance and Government Procurement of Goods and Services according to Presidential Regulation Number 16 of 2018, need to be thoroughly and definitively examined. In the nomenclature of SKPD's tasks, the embankment project would be more appropriate and fittingly handled by the relevant SKPD, such as the Department of Public Works and Water Resources or the Regional Disaster Management Agency, if related to urgent or urgent matters related to landslide-prone areas.

Rahman stated that there are irregularities in the embankment project. Firstly, in terms of nomenclature or placement of the implementing tasks in the Regional Tupoksi area, why is PDAM, which is ostensibly a regional company, carrying out the construction of the embankment. This is not its field of duty; if it involves opening distribution routes and pipe networks, that is correct and in accordance. Rahman emphasized, then what is the function of the related SKPD, such as the Department of Public Works and Water Resources or the Regional Disaster Management Agency, if it is said to be a region prone to landslides. In Article 31 and Article 32 of the Regulation of the Minister of Home Affairs or Permendagri Number 13 of 2006 concerning Guidelines for Regional Financial Management, it is stated that it becomes a mandatory affair and the authority of the regional government through SKPD, not PDAM. In addition, PDAM does not conduct procurement of goods and services through bidding, as per Presidential Regulation, but through direct appointment (Albab, 2020).

Procurement of goods/services is essentially the government's way of making purchases, whether for the government's household needs, providing public facilities, serving the community, or distributing to the public. Approximately 40% of the entire government budget is estimated to be spent through the government procurement process. Given the significant portion of the value of procurement of goods/services, the government procurement process will greatly impact government spending and the performance of government work programs. Obstacles in the procurement process, of course, also pose challenges in the execution of government spending, including causing low absorption and accumulation of realizations at the end of the budget year.

Through the Minister of State-Owned Enterprises, the government issued Minister of State-Owned Enterprises Decision Number: KEP-117/M-MBU-/2002 Article 2 paragraph (1) regarding the Implementation of Good Corporate Governance Practices in State-Owned Enterprises (BUMN), stating that "BUMN is obliged to consistently implement good corporate governance and/or make good corporate governance the basis of its operations." In Article 3, the principles of good corporate governance include transparency, independence, accountability, responsibility, and fairness.

Based on Article 343 of Law Number 23 of 2014 concerning Regional Governance, it states that the management of Regional-Owned Enterprises (BUMD) must at least fulfill several elements, one of which is the element of good corporate governance. Thus, companies are required to take comprehensive steps regarding their assets to generate profit in the form of cash income and add value. Based on the above regulations, it is emphasized that good corporate governance is an essential element in managing both state-owned and regional-owned enterprises.

Good governance or good governance emerges as the focal point of government administration to gain public trust in supporting social harmony, political stability, and national economic growth. According to the United Nations Development Program (UNDP), a country with ideal good governance is identified as a country that is efficient, effective, responsive, corruption-free, and citizen-friendly. In supporting good governance, the Indonesian Government has initiated institutional reforms, regulatory reforms, decentralization, and privatization since 1998.

In the context of the realization of good governance, there are three aspects that support the creation of good governance. The first aspect is supervision, which is carried out by external parties to the government. The second aspect is control, which is a mechanism implemented by the government to ensure that organizational management runs smoothly and organizational goals are achieved. The third aspect is examination, which includes internal and external audits.

Good Corporate Governance of state-owned enterprises (BUMN) and regional-owned enterprises (BUMD) in Indonesia is related to the implementation of internal controls in companies. The implementation of internal controls is crucial for companies because it can guide, supervise, and measure the resources of a company to become better. Internal controls can prevent losses or waste of company resources. Additionally, it can provide information to assess the company's performance and management, as well as provide information to be used as a guide in planning.

Transparency, accountability, responsibility, independence, and fairness, if achieved, will also result in the realization of increasingly better principles of good corporate governance in a company. The presence of internal controls is crucial in creating good corporate governance. Recognizing the existence or going concern of a company depends on the trust of the public, so effective control is one of the key factors that must be achieved by management.

In the current era of the industrial revolution 4.0, governance in the banking industry is seen to be declining. Analysis of good corporate governance has rapidly developed in response to the exposure of large-scale financial scandals such as Enron, Tyco, Worldcom, Maxwell, Polypec, and others. Publicly traded companies are affected by strategies, procedures, or fraudulent practices due to weak control and supervision by independent top management through corporate boards (Ferdyant, 2014). The issues arise due to several factors, including the ineffective implementation of good corporate governance. This issue is important to be addressed as research from a regulatory perspective with the title "Improving Public Services in Realizing Good Corporate Governance for Increased Regional Original Revenue (PAD)."

2. Methodology

The method used for this research is empirical juridical research, utilizing primary data from field research through interviews with relevant parties involved in the Procurement of Goods and Services at the Regional Water Supply Company (PDAM), as well as secondary data from literature research. This study employs a legal regulation approach, a conceptual approach, and a comparative study approach. The research is a procedure or method used to conduct the study in a more directed manner, capable of addressing the research problem formulation and objectives, and can be scientifically accounted for (Ariawan, 2013). The research is conducted by analyzing the legal principles governing the procedures and methods of increasing regional government capital participation in the Regional Water Supply Company according to positive law.

3. Results and Discussion

3.1 Public Services in Achieving Effective Good Corporate Governance Have Not Been Effectively Implemented

Effectiveness is a term in Bahasa Indonesia derived from English, namely "effective," which means obeyed, ratified, effective, and lucky. Among these meanings, the most appropriate one is successfully obeyed. Effectiveness, according to Dharmika and Subanda (2023), is the result of making decisions that guide the proper execution of something, helping to fulfill a company's mission or achieve goals (Ulum, 2014).

According to Kuswati et al. (2023), effectiveness is the state or ability of successfully completing work done by humans to provide the expected benefit. In assessing work effectiveness, four considerations are commonly used: economic, physiological, psychological, and social considerations. Effectiveness is also described as a condition indicating the success of predetermined work. Hartanto et al. (2021), describes effectiveness as "useful success," meaning that services are genuinely tailored and of high quality to meet the needs in achieving the goals of an organization (Efendi et al., 2021). According to Abraham (2021), the theory of legal effectiveness proposed by Soekanto is highly relevant to the theory presented by Atmasasmita, which states that factors hindering the effectiveness of law enforcement are not only related to the mental attitudes of law enforcement officials (Judges, Prosecutors, Police, and Legal Advisors) but also to the often overlooked factor of legal socialization.

Legal effectiveness means discussing the legal work's power in regulating and/or compelling society to comply with the law. The law can be effective if the factors influencing it can function optimally. The measure of whether a law or regulation is effective can be seen from the behavior of society. A law or regulation will be effective if the community behaves as expected or desired by the law. If the law or regulation achieves the intended goals, then its effectiveness has been achieved.

The effectiveness of public services in realizing good corporate governance is a system, process, structure, and mechanism that regulates a harmonious relationship pattern between the company and its stakeholders to achieve the maximum performance with methods that do not harm stakeholders. Several principles of good corporate governance need to be considered to ensure its implementation and enhance the company's performance quality. These principles include transparency, accountability, responsibility, independence, equality, and fairness.

- a) Transparency in good corporate governance can be interpreted as information openness. The principle of transparency is related to the quality of information conveyed by the company. Investor confidence is highly dependent on the quality of information presentation provided by the company.
- b) The principle of accountability is a fundamental aspect of good corporate governance that requires clarity in the functions, structure, systems, and responsibilities of the company's organs, ensuring effective company management. Clear tasks and functions of the company's organs will create a mechanism for checking and balancing in managing the company.
- c) Corporate responsibility is compliance in managing the company with the principles of healthy corporate governance and applicable laws and regulations. The applicable regulations include those related to tax issues, industrial relations, environmental protection, health and safety at work, wage standards, and fair competition.
- d) The principle of independence implies that company management must be independent and not subject to intervention by other parties. The application of the independence principle means the company must avoid domination by any party, remain unaffected by specific interests, be free from conflicts of interest, and resist all influences or pressures.
- e) The final principle of good corporate governance is fairness and equality, defined as fair and equal treatment in fulfilling the rights of stakeholders arising from agreements and applicable laws and regulations. Fairness also includes clarity in the rights of investors, the legal system, and enforcement of regulations to protect the rights of investors, especially minority shareholders, from various forms of fraud.

Public services in realizing good corporate governance have not been effectively implemented, which means achieving success or accomplishing something well. Yusriadi and Farida (2019) asserts that effectiveness is a measure that provides an overview of how far targets can be achieved. This opinion states that effectiveness is a measure that provides an overview of how far the targets set previously by an institution or organization can be achieved. It is useful for assessing the development and progress achieved by an institution or organization itself (Herdilah et al., 2023). Effectiveness is assessed based on the measure of how much an organization has successfully achieved reasonable goals. Agung Kurniawan defines effectiveness as the ability to carry out tasks, functions (operational activities, programs, or missions) of an organization or similar entity without tension or pressure among its implementers (Arifah, 2020).

Setyaningrum et al. (2017), explains that effectiveness is a measure indicating how far targets (quantity, quality, and time) have been achieved. Based on the above opinions regarding effectiveness, it can be concluded that effectiveness is a measure indicating how far the targets (quantity, quality, and time) set by the management, which have been predetermined. Evaluating the functioning of an organization can be done through the concept of effectiveness (Umar, 2017). This concept is one of the factors to determine whether significant changes to the form and management of the organization are needed or not. Effectiveness is the achievement of organizational goals through the efficient utilization of available resources, considering inputs (input), processes, and outputs (output). In this case, resources include the availability of personnel, facilities and infrastructure, as well as methods and models used. An activity is considered efficient if it is done correctly and in accordance with procedures, while it is considered effective if the activity is carried out correctly and produces beneficial results.

Factors, efforts, incentives that underlie changes, and the role of local governments in encouraging improvements in the Regional Drinking Water Company (PDAM) are as follows internal factors are those originating from within the organization. These factors serve as drivers of change originating from PDAM. These factors include leadership (fit and proper tests), demands for tariff adjustments, demands for improvement in welfare. External factors come from outside the company, such as the national debt restructuring policy of PDAM by the central government, coupled with the support of this regency government as a concern and a manifestation of a sense of belonging to the regional company by providing capital participation and tariff adjustments. The Regional Drinking Water Company is a business entity owned by the Government. When PDAM encounters difficulties in fulfilling its obligations, the Government as the owner intervenes to address the issues. The efforts made by the owner are reasonable because it is the responsibility of the regional government to safeguard its regional assets.

3.2 Improving Public Services in Achieving Good Corporate Governance for the Increase of Regional Original Revenue (PAD)

The enhancement of public services in realizing good corporate governance for the increase of regional original revenue through State-Owned Enterprises/Regional-Owned Enterprises (BUMN/BUMD) is an organization owned by the government, both at the central and regional levels, with a capital participation of 50% or more. BUMN/BUMD is under the government's top managerial authority, which includes the right to appoint top management and determine

fundamental policies. BUMN/BUMD is established to achieve defined public purposes, is multidimensional, and consistently exists within the public accountability system.

Hartanti et al. (2022) argues that Regional-Owned Enterprises or BUMD are companies established and owned by Regional Governments, both at the provincial and regency/city levels. The authority of Regional Governments to form and manage BUMD is emphasized in Government Regulation Number 5 of 2000 concerning the Authority of Regional Governments and the Authority of Provinces as Autonomous Regions. Article 1, point 6 of Law Number 17 of 2003 concerning State Finance states that regional companies are business entities wholly or partially owned by Regional Governments.

BUMD/BUMD engages in business-related activities involving investment ideas and profits by marketing products in the form of goods and services. BUMN/BUMD is a tangible manifestation of the state's investment in the business world, with the aim of encouraging and developing national/regional economic activities. In other words, BUMN/BUMD is part of economic activities that function to support the state's finances and provide services to the public according to their business sectors.

Discussing the Increase of Regional Original Revenue related to public services carried out by the Regional Drinking Water Company (PDAM). According to Mardiasmo (2021), Regional Original Revenue (PAD) is the revenue of the region from the regional tax sector, regional retribution, the results of regional-owned companies, the results of the management of separated regional wealth, and other legitimate PAD. The authority to empower its own financial resources is carried out within the PAD framework, the main sources of which are regional taxes and regional retribution. Ideally, a balance between central and regional finances occurs when each level of government is free in the financial field to finance the implementation of their respective duties and authorities.

PAD becomes the main or dominant source of revenue, while subsidies or transfers from the central government level are supporting or additional sources whose role is not dominant. PAD is one of the sources of regional government financing whose role depends significantly on the region's ability and willingness to explore existing potential. PAD consists of:

- 1) Results of regional taxes: levies according to regulations set by the region for financing its household as a public legal entity. Regional taxes are levies carried out by regional governments, the results of which are used for general expenditures with indirect reciprocation, but their implementation can be directly enforced.
- 2) Results of regional retribution: legitimate levies as payments for use or obtaining services, work, or property of the relevant regional government. Regional retribution has economic characteristics, there is a direct reciprocation even though it must meet formal and material requirements, but there is an alternative to whether or not to pay. It is a levy that is not prominent in its budgetary nature; in certain cases, regional retribution is a refund of costs incurred by the regional government to meet the requests of community members.
- 3) Results of regional-owned companies and the results of managing separated regional wealth: The results of regional-owned companies are regional revenue from the net profit of regional companies, which are in the form of regional development funds and portions for the regional budget deposited into the regional treasury, both separate regional companies, in line with the motives for their establishment and management. The nature of regional changes is a production unit that adds regional income, provides services, organizes public utilities, and develops the regional economy.
- 4) Other legitimate income: includes incomes not included in types of regional taxes, regional retribution, departmental revenues. Other legitimate regional efforts have an open nature for regional governments to carry out activities that produce material results, with the aim of supporting, facilitating, and solidifying a regional policy in a specific field.

According to the Republic of Indonesia Law Number 17 of 2003 concerning State Finance, a Regional Company refers to a business entity in which all or part of its capital is owned by the Regional Government. Article 2 paragraph (3) number 20 letter m of Government Regulation Number 25 of 2000 concerning the Authority of the Government and the Authority of the Province as an Autonomous Region states that governance authority is grouped into various fields, one of which is making guidelines and facilitating the establishment and management of Regional-Owned Enterprises (BUMD). In the Minister of Home Affairs Regulation Number 3 of 1998 concerning the Legal Form of Regional Business Entities, it is stated that the legal form of BUMD can be in the form of Regional Companies (PD) or Limited Liability Companies (PT).

BUMD with the legal form of PD is subject to prevailing regulations governing PD, while BUMD with the legal form of PT is subject to Law Number 40 of 2007 concerning Limited Liability Companies and its implementing regulations. The Head of the Region can change the legal form of PD to PT through the following steps: 1) submitting a principle request for a change in legal form to the minister; 2) establishing Regional Regulations Level I or Level II regarding the Change in Legal Form of BUMD from PD to PT; and 3) creating a Notarial Deed as the establishment of PT. The change in the legal form of PD to PT is also emphasized in Article 334 paragraph (2) of Law Number 23 of 2014 concerning Regional Government, which states that if a Regional Public Company is owned by more than one region, the regional public company must change its legal form to a regional company.

The concept of managing non-public regional companies (Regional Companies/Regional Public Companies) is possible with the "self-management" system, where this management concept utilizes a system of supervision or

responsible and intensive guidance. The management of BUMD is carried out with direct supervision and guidance by policy stakeholders conducted by the head of the region as the highest authority in the regional government.

Based on Law Number 23 of 2014 concerning Regional Government, it is stated that the management of BUMD must include elements of good corporate governance; however, government regulations or other regulations that further regulate provisions regarding good corporate governance in the management of BUMD have not been issued. The concept of managing BUMD as a public company (Limited Liability Company/Regional Limited Liability Company), based on the Minister of Home Affairs Regulation Number 3 of 1998 concerning the Legal Form of BUMD, states that BUMD in the form of a limited liability company is subject to Law Number 40 of 2007 concerning Limited Liability Companies and its implementing regulations.

Water is a vital resource for living beings, serving their needs and sustaining life naturally. The universal and comprehensive usefulness of water from every aspect of life becomes increasingly valuable, considering both quantity and quality. On Earth, about 95.1% of water is saline, while 4.9% is freshwater. This is of great importance, given the limited availability of usable water compared to the unlimited needs of humans. Therefore, there is a need for effective water management to harness its potential in meeting the needs of living beings (Rizqi et al., 2017).

Public Drinking Water Company (PDAM) is a regional government-owned business entity that carries out the service function of providing clean drinking water for the community. It is expected to provide equitable access to clean water for all layers of society, contribute to the development of the business sector, and establish tariff structures adapted to the community's economic capacity. The presence of PDAM as a BUMD helps meet community needs, supports business development and economic growth in the region, and accelerates regional development. The clean water produced by PDAM is an essential commodity vital for the lives of both PDAM and the public.

PDAM's existence in performing public service functions involves collaboration between the Regional Government and external parties in the procurement of goods and services, following principles such as effectiveness, efficiency, openness, transparency, accountability, and fair competition. The emphasis on these principles aims to achieve good governance in realizing quality public services, fostering a conducive investment climate, and synergizing with other development sectors.

Stoker suggests that government administration depends not only on the government itself but also on external actors as a result of interactions among stakeholders. Another viewpoint by Rhoders states that governance is corporate governance where the size, structure, and government role are streamlined to achieve more effective, efficient, and transparent government performance (Stoker, 1998).

In Indonesia, the government's procurement of goods/services has adopted the principles of good and clean governance. However, the government has yet to find the right model and formula for the procurement process, resulting in an imbalance in its implementation. Reform in good and clean governance is needed, encompassing changes and innovations in the governance of procurement, especially in program planning, budget planning, procurement planning, procurement, and accountability in pre-procurement stages, integrity, and accountability in pre-procurement, procurement, and post-procurement stages. The solution requires a reformation in the procurement of goods/services in Indonesia by accommodating public participation as one of the pillars of good and clean governance. To address corruption issues in the procurement sector, researchers recommend reconstructing the legal system for government procurement, ideally governed by law, and implementing public oversight as a control mechanism for government procurement.

Internal control is measured through control environment, risk assessment, control activities, information and communication, and monitoring indicators, impacting the implementation of good corporate governance. Respondent answers support the conclusion that companies with strong internal controls can minimize risks and enhance the implementation of good corporate governance.

In the case of a Water Supply Company (PAM), internal controls have been fulfilled, supporting the application of good corporate governance. The test results indicate that the stronger the internal control applied, the higher the implementation of good corporate governance within the company. Conversely, weaker internal control in a company results in less effective implementation of good corporate governance.

Internal control and the implementation of good corporate governance have a close relationship. Internal control is crucial in minimizing conflicts of interest between principals and agents (leadership and management) due to information asymmetry (Kewo, 2017). Effective internal control is essential in supporting the successful implementation of good corporate governance. The findings of this research align with a study conducted by Sari et al. (2017), stating that internal control has a positive and significant impact on good corporate governance. This condition occurs because reliable and well-implemented internal control components within a company can minimize potential risks and encourage the improvement of good corporate governance. However, the results of this research contradict a study conducted by Lubis and Cassandra, which states that internal control has a positive but not significant impact on good corporate governance.

An analysis of Regional-Owned Enterprise (BUMD) management in realizing good corporate governance conducted by Langelo shows that the implementation of good corporate governance is in line with the General Guidelines for good corporate governance in Indonesia issued by the National Commission on Governance Policy (KNKG) (Langelo et al., 2017).

According to the researcher, there is a need to establish Regional Regulations on Participation and Additional Capital Participation in this Regional Drinking Water Company (PDAM). Firstly, this is to enhance business capacity and strengthen the capital structure of the Regional Drinking Water Company, enabling improved efficiency and effectiveness in company management. Secondly, it provides legal certainty regarding the status of regional assets that will be used as the object of regional government capital participation, making these regional assets part of the company's capital. The hope is that these regional assets will be promptly utilized and operationalized according to their intended purposes.

4. Conclusion

Based on the research findings and discussions above, several conclusions can be drawn: 1) the effectiveness of public services in realizing good corporate governance has not been achieved due to internal factors, particularly the low awareness of customers in paying water bill invoices, which can result in losses for the Regional Water Company (PDAM). The quantity of human resources within the PDAM is insufficient compared to the service coverage area. Non-Revenue Water (NRW) loss is currently a major problem in the management of clean water or piped drinking water services. External factors, such as water loss, have led to significant losses, both for the company and for the public as PDAM consumers. Some losses resulting from water loss issues include a reduction in PDAM's profits, a decrease in the quantity and pressure of water available to customers; and 2) to enhance public services for good corporate governance and increase Local Revenue (PAD), companies must be able to minimize potential risks and promote the implementation of good corporate governance. In achieving an increase in the Local Revenue of the Regional Water Company, the role of the Regional Government is essential by collaborating with other parties in the procurement of goods/services. Challenges often arise, especially in program planning, budget planning, procurement planning, pre-procurement accountability, integrity, and accountability. This needs to be reformed in the procurement of goods/services in Indonesia by accommodating public participation as one of the pillars of good and clean governance. Dealing with corruption issues in the procurement sector requires actions such as: (a) reconstructing the legal system for government procurement, ideally regulated by law in the future; and (b) public oversight as a control mechanism for government procurement. Additionally, it is necessary to establish Regional Regulations on Equity Participation and Additional Capital Injection in PDAM to enhance business capacity and strengthen the capital structure of the Regional Water Company. This, in turn, will improve the efficiency and effectiveness of company management. Providing legal certainty regarding the status of regional assets that will be used as government equity participation, making these regional assets part of the company's capital. The improvement of Local Revenue requires good corporate governance, closely related to internal control that can help minimize conflicts of interest between principals and agents due to information asymmetry.

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