

ABSTRACT

In realizing good governance, especially regarding the transparency and accountability of Local Government Financial Statement for the stakeholders, both the legislature and the public at large, the government issued a new regulation that is *Peraturan Menteri Dalam Negeri Nomor 13 Tahun 2006* regulating the Local Government Financial Management Guidelines. This regulation is a refinement of previous regulations, and the initial basis for local government to perform financial management transparently and more accountable by using accounting principles.

With this regulation, although not yet applied accounting principles fully, but considered it easier for auditors to assess the accountability of local financial management and found indications of fraud in the local financial management, since all transactions are recorded sequential time in each journal and ledger are grouped in accordance with the accounts have been defined, and are presented in the Financial Statements consisting of: Budget Realization Report, Balance Sheet, Statement of Cash Flows and Notes to the Financial Statements.

In relation to the above it is expected that all local governments in Indonesia can immediately adjust its financial management by implementing the entire system provided for in *Peraturan Menteri Dalam Negeri Nomor 13 Tahun 2006*, because this rule is a reference / guideline for the auditor in terms of doing examination of the Local Government Finance Statement. But in its application local governments usually encounter many obstacles, especially in terms of Human Resources who have not mastered the science of accounting and computer operation plus lacking of administration behaviour, record keeping / bookkeeping, and good punctual reporting. In addition, the technical constraints such as limited financial management tools, such as adequate computer, work allotment system and less strict supervision.