



Influence of Regional Financial Management Aspect on Regional Financial Management Transparency: Case Study in SKPD, Buton Selatan District

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Abstract

This research aimed to assess the impact of regional financial statement presentation, accessibility of regional financial statements, internal control, the implementation of performance-based budgeting, and the implementation of accrual-based government accounting standards on the transparency of regional financial management. Data for this research were collected through a survey using questionnaires. The study population consisted of all employees in the Regional Work Units (SKPD) of the city of Yogyakarta. The sampling technique employed a nonprobability sampling method known as purposive sampling. The sample comprised structural officers and employees/staff responsible for accounting/administrative financial functions, each with a minimum of one year of experience in each SKPD in Buton Selatan. A total of 77 questionnaires were processed for analysis. Data analysis involved multiple linear regression. The results of the regression analysis indicated that regional financial statement presentation had no significant effect on the transparency of regional financial management. In contrast, the accessibility of regional financial statements was found to have a significant positive effect on transparency. Additionally, internal control was not found to have a significant impact on transparency, nor did the implementation of performance-based budgeting. However, the implementation of accrual-based government accounting standards was found to have a significant positive effect on the transparency of regional financial management.

Keywords: Financial Transparency, Government Accounting Standards, Regional Financial Management, Performance-Based Budgeting

Introduction

The demand for transparency in the government system is increasing in the current reform era, especially in the context of local government financial management. This is due to the existence of Law no. 32 of 2004 concerning Regional Government and Law no. 33 of 2004

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concerning Financial Balance between the Central Government and Regional Governments. These two laws provide greater opportunities for regions to optimize the potential of their human resources (Koišova et al., 2021), funds and other resources (Lê & Bednarek, 2023).

One of the important conditions for realizing transparency in regional financial management is reform in the presentation of financial reports (Jha, 2019). The government must be able to provide honest and open relevant financial information to the public as a manifestation of the people's mandate. However, efforts to improve the presentation of regional financial reports have not been fully implemented, both by local governments and in various Regional Work Units (SKPD). Based on Government Regulation Number 60 of 2008, the Internal Control System is an important process in ensuring organizational goals are achieved effectively and efficiently, reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations. The application of this system is also closely related to the transparency of regional financial management. In the management of public funds, the basic principles of the performance budgeting system (performance budget) are increasingly important (Sohn & Bae, 2018). However, the focus of APBD discussions on the size of the budget has obscured the importance of the performance aspect in regional financial management. In 2010, the government introduced accrual-based government accounting standards through PP No. 71 of 2010. This standard is expected to improve regional financial management. However, the adoption of this accrual basis does not seem to have taken into account the condition of financial management and the governmental environment in Indonesia, particularly in local governments.

Several previous studies have examined the factors that influence the transparency of regional financial reporting in various regions in Indonesia. However, this study will add a new dimension by examining the effect of presenting regional financial reports, accessibility of regional financial reports, internal control, implementation of performance-based budgeting, and application of accrual-based government accounting standards simultaneously on the transparency of regional financial management (Elghaish et al., 2022).

Thus, this study aims to fill this knowledge gap by examining the influence of regional financial management aspects on the transparency of regional financial management by conducting a case study on the Regional Work Unit (SKPD) in South Buton Regency. It is hoped that this research can provide a better understanding of the factors that influence the transparency of regional financial management in Indonesia and can contribute to the improvement of a more efficient and transparent regional financial system.

Literature Review

Transparency in Regional Financial Management

Transparency in regional financial management has become a crucial issue in the context of modern governance. This is driven by demands for government accountability to society, which are increasing along with the development of laws and regulations such as Law

no. 32 of 2004 concerning Regional Government and Law no. 33 of 2004 concerning Financial Balance. Transparency in regional financial management requires regional governments to provide honest and open financial information to the public as a form of fulfilling the people's mandate. However, efforts to increase transparency often encounter obstacles, including presentation of financial reports, accessibility of information, and improvements in the internal control system. Therefore, research on the transparency of regional financial management is relevant and important to understand the factors that affect the level of transparency and to provide a foundation for improvements in regional financial governance.

Presentation of Regional Financial Reports

Presentation of regional financial reports is a core element in efforts to increase transparency and accountability in local government financial management. Good financial reports must comply with applicable government accounting principles and present financial information that is relevant, reliable, and easily understood by interested parties, including the public. However, implementation of appropriate government accounting standards, such as the accrual basis, often faces challenges at the local level. Previous research has highlighted the various factors that influence the quality of regional financial statement presentation, including the role of the auditor, the implementation of financial information systems, and the competence of financial staff. Therefore, an in-depth understanding of the practice of presenting regional financial reports is important in the context of better regional financial management reform.

Accessibility of regional financial reports

Accessibility to regional financial reports is a key aspect in realizing transparency in local government financial management. In the digitalization era, efforts to increase the accessibility of regional financial information have become increasingly important. This is because the public, stakeholders and researchers are increasingly relying on information technology to access data and financial reports. However, even though the potential of technology has proven to be great in facilitating accessibility, a number of obstacles arise in practice, including limited data availability, difficulties in understanding the financial information presented, and limited internet access in some areas. Within this framework, previous research has tried to understand the obstacles and solutions in increasing the accessibility of regional financial reports, by highlighting the role of the internet, technological infrastructure, as well as education and outreach efforts to the public to ensure that regional financial information is accessible and understandable to all interested parties. .

Internal control

Internal control is a key component in effective and transparent regional financial management. This includes a set of processes, policies and practices designed to ensure that organizational goals are achieved in an effective, efficient and accountable manner. In the context of regional government, internal control includes actions taken to ensure the reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations. Previous research has shown that implementing strong internal controls can increase transparency and accountability in local financial management. Factors such as the role of the

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government's internal oversight apparatus, early warning of risks, and efforts to improve the quality of governance in the implementation of the duties and functions of government agencies are an important focus in understanding the role of internal control in the context of better regional financial management.

Performance-based budgeting

Performance-based budgeting has become an increasingly common approach to local financial management, which aims to ensure that the use of public funds achieves desired and measurable results. This approach involves a paradigm shift from focusing on budget size to focusing on achieving results or performance. Previous research has identified that implementing performance-based budgeting can generate benefits such as increased transparency, accountability and oversight in local financial management. Factors such as strategic planning, proper performance measurement, and effective incentive and monitoring mechanisms are central to understanding how performance-based regional financial management can improve the efficiency and effectiveness of the use of public funds and better achieve organizational goals of local government.

Application Systems and Products (SAP)

Accrual-based Application and Product Systems (SAP) have become popular software in the transformation of local government financial management. Accrual-based SAP provides a comprehensive framework for accrual-oriented financial management, which requires local governments to record financial transactions based on economic events that occur, not just based on cash flow. This helps improve accountability, transparency and better financial reporting, as it results in a more comprehensive report on an organization's financial position and performance. Previous research has identified the benefits of accrual-based SAP in improving regional financial management, but has also highlighted challenges in implementation, such as costs, training, and changes in organizational culture. Therefore, an in-depth understanding of the role and impact of accrual-based SAP in local government financial management is important in the effort towards a more modern and efficient financial governance.

Research Method

This study aims to analyze and explain the influence of regional financial management aspect on regional financial management transparency (case study in skpd, buton selatan district) . Qualitative with descriptive elaboration. This research is a causality research where there is a causal relationship between two or more variables. This research was conducted by taking the research location in the South Buton district SKPD. The data analysis method in this study is multiple linear regression analysis (Multiple Regression Analysis). The research data was processed using the Statistical Package for Social Science (SPSS) program, using data collection techniques using a questionnaire. The number of samples in this study were 77 respondents. The variable in this study was Presentation of Regional Financial Reports, regional

financial accessibility, internal control, application of performance-based budgeting, application of accrual-based accounting standards and transparency of regional financial management.

Results

The results of this study reveal a number of findings that are relevant to the background, review literature, and research methods that have been submitted. First, the local revenue (PAD) of Buton Regency plays an important role in supporting various development programs and public services in the region. Nonetheless, PAD faces various challenges that affect its management and improvement.

Determination Coefficient Test (R²)

Test the coefficient of determination (R²) is used to measure how much the percentage of influence of the independent variable on the dependent variable. The greater the determinant coefficient, the better the independent variable in explaining the dependent variable (Ghozali, 2011; 97). Test Results for the Coefficient of Determination (R²) can be seen in table 2

Tabel 1

Determination Coefficient Test (R²)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.732 ^a	.536	.503	1.54040

Sumber: data primer, diolah, 2023

Based on the test results of the coefficient of determination in table 2, the value is obtained Adjusted R Square of 0.503 means that the magnitude of the influence of the presentation of Regional Financial reports, accessibility of regional financial reports, internal control, the application of performance-based budgeting, and the application of accrual-based SAP by 50%, the remaining 50% is influenced by other factors not observed in this study.

Statistical Test F

The F statistic test is carried out by comparing the calculated F value with the table F value, if the F value is calculated > F table, the model used is feasible and vice versa. The results of the F statistical test can be seen in table 2.

Table 2

F ANOVA

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	194.699	5	38.940	16.411	.000 ^a
	Residual	168.470	71	2.373		
	Total	363.169	76			

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In table 2, the calculated F value is 16.411 with a significance level of 0.000. The processing results show that the calculated F is 16.411 > F table is 2.34 with a significance of 0.00 < 0.05, this means that the presentation of regional financial reports, accessibility of regional financial reports, internal control, implementation of performance-based budgeting, accrual-based SAP implementation have a simultaneous effect on the transparency variable of regional financial management.

Statistical Test t

The t statistical test is carried out by comparing t arithmetic with t table, if t arithmetic > t table then H0 is not supported and Ha is supported and vice versa. The results of the t statistical test can be seen in table 3.

Table 3 Statistical Test Results t

Coefficients^a					
Unstandardized Coefficients					
Standardized Coefficients					
Std. Error					
Model	B		Beta	t	Sig.
1 (Constant)	.875	2.471		.354	.724
Presentation of regional financial reports	-.084	.066	-.149	-1.267	.209
Report accessibility regional finance	.313	.101	.279	3.088	.003
Internal control	-.020	.085	-.029	-.238	.812
Implementation of the budget performance based	.116	.085	.177	1.362	.178
SAP based implementation accruals	.160	.034	.571	4.727	.000

a. Dependent Variable: transparency of regional financial management

Source: primary data, processed, 2023

Based on table 3, the regression equation is obtained:

$$Y = 0,875 + -0,084X_1 + 0,313X_2 + -0,020X_3 + 0,116X_4 + 0,160X_5$$

The regional financial statement presentation variable has a significant level of 0.209 and t count of -1.267. Means the significant level is greater than 0.05 ($0.209 > 0.05$) and t count $< t$ table ($-1.267 < 1.6660$). This means that H1 has no significant effect, H0 is supported and H1 is not supported, so it can be concluded that the presentation of regional financial reports has no positive and significant effect on the transparency of regional financial management. This means that it does not support the formulation of hypothesis 1 that the regional financial report presentation variable has a positive effect on the transparency of regional financial management.

The regional financial report accessibility variable has a significant level of 0.003 and t count of 3.088. It means that the significant level is less than 0.05 ($0.003 < 0.05$) and t count is greater than t table ($3.088 > 1.6660$). This proves that H0 is not supported and H2 is supported, so it can be concluded that the accessibility of regional financial reports has a positive and significant effect on the transparency of regional financial management. This means that it supports the formulation of hypothesis 2 that the variable accessibility of regional financial reports has a positive effect on the transparency of regional financial management.

The internal control variable has a significant level of 0.812 and t count of -0.238. It means that the significant level is greater than 0.05 ($0.812 < 0.05$) and t count is smaller than t table ($-0.238 >$). This means that H3 has no significant effect, H0 is supported and H3 is not supported, so it can be concluded that internal control has no positive and significant effect on the transparency of regional financial management. This means that it does not support the formulation of hypothesis 3 that internal control variables have a positive effect on the transparency of regional financial management.

The performance-based budget implementation variable has a significant level of 0.178 and a t count of 1.362. It means that the significant level is greater than 0.05 ($0.178 > 0.05$) and t count is smaller than t table ($1.362 < 1.6660$). This means that H4 has no significant effect, H0 is supported and H4 is not supported, so it can be concluded that the implementation of performance-based budgeting has no positive and significant effect on the transparency of regional financial management. This means that it does not support the formulation of hypothesis 4 that the performance-based budgeting implementation variable has a positive effect on the transparency of regional financial management.

The accrual-based government accounting standard implementation variable has a significant level of 0.000 and t count of 4.727. It means that the significant level is less than 0.05 ($0.000 < 0.05$) and t count is greater than t table ($4.727 > 1.6660$). This proves that H0 is not supported and H5 is supported, so it can be concluded that accrual-based government accounting standards have a positive and significant effect on the transparency of regional financial management. This means that it supports the formulation of hypothesis 5 that the accrual-based SAP implementation variable has a positive effect on the transparency of regional financial management.

Discussion

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1. The results of the study indicate that the presentation of regional financial reports has no positive and significant effect on the transparency of regional financial management providing important insights into the dynamics of regional government financial management. This finding may indicate that although regional financial information has been properly presented in accordance with accounting standards, there are still obstacles in ensuring that this information is truly accessible and understandable to the public and stakeholders. It is possible that there are other factors besides the presentation of financial reports that also affect the level of transparency, such as information accessibility, less open organizational culture, or lack of effective communication with the public. Therefore, these results highlight the importance of a holistic approach in efforts to increase the transparency of regional financial management, which does not only pay attention to the presentation of financial reports but also other factors that can affect the accessibility and understanding of regional financial information by the public.
2. The results of the research showing that the accessibility of regional financial reports has a positive and significant effect on the transparency of regional financial management is a very relevant finding in the context of local government financial governance. This confirms that efforts to facilitate public and stakeholder access to regional financial information through various channels such as the internet, publication in newspapers, or other methods have a positive impact on increasing the level of transparency. With easier access to financial information, the public has the opportunity to better understand how public funds are used and to better monitor budget execution. Therefore, these results provide support to local government efforts to increase the accessibility of financial reports as a key step in strengthening accountability and transparency in regional financial management.
3. The results of the research showing that internal control has no positive and significant effect on the transparency of regional financial management reflects the dynamics that need to be understood in the context of local government financial governance. Although internal control is basically designed to ensure effectiveness, efficiency and accountability in financial management, this finding shows that the implementation of internal control does not necessarily produce the expected increase in transparency. This can be caused by several factors, such as a lack of understanding of the importance of internal control in increasing transparency, lack of communication between related parties, or the existence of organizational cultural barriers that hinder effective implementation. Therefore, these findings show that it is important to pay attention not only to the implementation of internal controls but also to contextual and cultural factors in an effort to increase the transparency of regional financial management. Furthermore, this research can provide a guide for evaluating and improving internal control strategies that are more effective in the context of local government financial management.
4. The results of the research showing that the implementation of performance-based budgeting has no positive and significant effect on the transparency of regional financial management provides important insights in understanding the complexity of implementation of performance-based budgeting at the local government level. While performance-based budgeting is generally considered a tool that can increase accountability and transparency by linking budget allocations to achieving desired outcomes, these findings suggest that their effect on transparency is not always clear. This may be due to various factors, such as difficulties in properly measuring performance, lack of understanding of the concept of performance-based budgeting at the local government level, or constraints in implementing it effectively. These results therefore serve as a warning sign about the importance of developing a well-thought-out

and in-depth strategy for implementing performance-based budgeting that takes into account the local context and needs, and ensures the involvement of all relevant stakeholders. In this way, the use of performance-based budgeting can be more effective in supporting the transparency of regional financial management.

5. The results of the study showing that accrual-based government accounting standards have a positive and significant effect on the transparency of regional financial management indicate the importance of applying appropriate accounting standards in an effort to improve local government financial governance. Accrual-based accounting standards enable local governments to record financial transactions based on economic events that occur, thereby providing a more comprehensive and accurate picture of the financial position and performance of the organization. With this standard, financial reports can be presented in a more transparent and easy to understand way for the public and stakeholders. This finding also strengthens the argument that in order to increase public accountability and trust, the adoption of accrual-based accounting standards is an important step in better local government financial management. Therefore, local governments need to prioritize implementation of accrual-based accounting standards and ensure that finance staff have sufficient understanding and skills to implement them effectively. Thus, accrual-based accounting standards can continue to contribute to efforts to achieve a higher level of transparency in regional financial management.

Conclusion

Presentation of regional financial reports, accessibility of regional financial reports, internal control, implementation of performance-based budgeting, and application of accrual-based government accounting standards simultaneously have a positive and significant effect on the transparency of regional financial management. Presentation of regional financial reports has no positive and significant effect on the transparency of regional financial management. The accessibility of regional financial reports has a positive and significant effect on the transparency of regional financial management. Internal control has no positive and significant effect on the transparency of regional financial management. Implementation of performance-based budgeting has no positive and significant effect on the transparency of regional financial management. The application of accrual-based SAP has a positive and significant effect on the transparency of regional financial management.

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