Analysis of The Influence of Financial Reporting Characteristics and Success of Budget Controlling on Transparency of Regional Government Financial Reports

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Abstract:
The purpose of this study is to investigate how budgetary management and the features of regional financial reports affect the openness of government financial reports. Employees of the Regional Revenue and Asset Financial Management Office in Province who worked in Regency and City Offices were the study's respondents. Employees from three districts and three cities in one province in Indonesia made up the study's sample. Convenient sampling was used as the study's sampling technique, while multiple regression analysis was employed as the study's data processing technique. The findings indicate that budget control has an effect on government financial report transparency with a significant value of less than 0.05 and regional financial report characteristics have an effect on government financial report transparency, and budget control and regional financial report characteristics have an effect simultaneously.

Keywords: Budgetary Management, Financial Reports, Budget Control

Introduction
Indonesia has entered the Era of Regional Autonomy with the implementation of Law Number 12 of 2008 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between Central and Regional Governments. The government argues that regional autonomy employs the idea of the fullest possible autonomy in legislation Number 12/2008 by saying that regions have been granted the power to administer and control all government matters outside of the central government affairs that have been specified in the legislation. Every public policy will be easily communicated and interaction between levels of government and between the government and the community will be very easy to do. The development of ICT (Information and Communication Technology) occurs so rapidly that the process of delivering data and information to all levels of society in various parts of the world can be done quickly. In addition, the current era of globalization requires the government to be able to improve its capabilities in the field of information and communication technology so that it can compete with
other countries. The response to the development of information and communication technology must be given immediately given the increasing quality of human life (Akbar & Nurbaya, 2000).

Government Regulation No. 58 of 2005, Minister of Home Affairs Regulation (Permendagri) No. 13 of 2006, and Permendagri No. 59 of 2007 are all mentioned in the Regional Financial Management Information System (SIPKD). This system, which is based on a computer network, connects and manages data consolidation between the Regional Work Unit (SKPD) and the Regional Financial Management Work Unit (SKPKD), allowing for a well-integrated flow of data throughout the Regional Government. The creation of the Regional Financial Management Information System (SIPKD) will make it simpler to get information, offer accurate budget data, and foster local government commitment to information sharing. The public must be able to receive all pertinent financial information from the government honestly and openly because government activities take place in the context of carrying out the people’s mandate, which is one of the requirements for realizing this (Andoko & Martok, 2020).

Based on data obtained by Teguh Mahardika on Monday, May 27, 2013 - 17:22 WIB through Sindonews.com stated that in this province 4 regions that have not received an Unqualified Opinion (WTP). Financial management in four districts / cities, which exist in this province still show weaknesses. From the financial audit report in 2012, only two regions obtained an unqualified opinion (WTP), from the Supreme Audit Agency (BPK). Head of BPK said, for those who get WTP opinion is one of cities in this province while for other city get WTP with explanatory paragraphs (Andoko & Angeline, 2023).

Following the adoption of Law of the Republic of Indonesia Number 32 of 2004 about Regional Government and Law Number 33 of 2004 regarding Financial Balance between the Central Government and Regional Governments, which have an effect on the delegation of broader authority in order to improve the efficacy of local government functions in managing regional finances and grant local governments broader authority in raising resources (Tannady et al., 2023).

When the Regional Government implements its authority in accordance with the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 59 of 2007 concerning amendments to Permendagri Number 13 of 2006 concerning Regional Financial Management Guidelines, regional rights and obligations that have a monetary value will subsequently arise, necessitating their management in a regional financial management system. A fundamental component of implementing local government is regional financial management, which is supposed to be a system of the state financial management system (Parulian & Tannady, 2023).

Local governments must continue to do better in regional financial management due to the requirement for openness in the system. Transparency may be described as the public's access to honest and transparent financial information since the general public has a right to know how the government is using the funds entrusted to it and how it adheres to laws and regulations. The public has a right to know fully and publicly how accountable the government is for using the resources entrusted to it and for adhering to laws and regulations. Based on the foregoing understanding, it can be concluded that in order for regional financial management to be effective, efficient, transparent, and accountable, planning needs to clearly specify the goals and objectives of the organization (Rianti & Rachmawati, 2015).

The general public has a right to be fully informed about how the government is held accountable for managing the resources entrusted to it and for adhering to laws and regulations. Based on the foregoing understanding, it can be concluded that in order for regional financial management to be effective, efficient, transparent, and accountable, planning needs to clearly specify the goals and objectives of the organization. It is anticipated that the Regional Financial Management Information System will be used by the Revenue and Asset Financial Management Office in Regencies and Cities as a tool for managing regional finances in order to provide services to the community, particularly for analyzing strategies to increase Regional Original Revenue (PAD) in the context of implementing regional autonomy in Regencies and Cities and showing efficient and effective regional finances in the implementation of region (Rachmawati & Suroso, 2020).

The Regional Financial Management Information System is built on the foundation of information technology, and it is created in a way that makes it possible for it to be used as a tool for the collection, processing, display, and reference of regional financial information. Information on regional finances is provided through the Pandeglang Regency Information System of Regional Financial Management. Regional Revenue and Expenditure Budget, Regional Financial Administration Data (DPKD), Regional Financial Accounting, and Regional Financial Accountability Report Data make up the bulk of the financial information. It is anticipated that the Regional Financial Management Information System would deliver accurate, timely, transparent, and accountable information on Regional Financial Management (Mardiasmo, 2006).
It is the duty of local governments to actualize good governance as a means of accountability to the people, regardless of the level of authority granted by the central government to local governments. According to the World Bank, good governance includes budgetary restraint, the establishment of a clear legal and political framework for the expansion of business activity in Renyowijoyo, the implementation of sound and responsible development management in accordance with the principles of democracy and efficient markets, the avoidance of improper investment fund allocation, the prevention of corruption on both a political and administrative level, and the avoidance of misallocation of investment funds (Sukhemi, 2010). This study intends to examine how budgetary control and regional financial report features affect the openness of governmental financial reports.

**Literature Review**

According to Hansen & Mowen Management Accounting in Lince Bulutoding, explains that control is a mechanism used by the executive (local government) to guarantee the implementation of management systems and policies in order to achieve organizational goals and the process of setting standards, by receiving feedback in the form of actual performance and taking the necessary actions if actual performance differs significantly from what was previously planned. Meanwhile, according to Freeman, public sector organizations use budgeting as a technique to distribute their resources among endless needs. This definition might show how strategically important the budget is to a public organization’s asset management. It is evident that the purpose and role of this budget are extremely significant. Public sector organizations undoubtedly want to offer the best possible services to the community, but sometimes this desire is restricted by the limited resources available (Sukhemi, 2010).

Controlling by the government will prevent budget deficits so that budget goals and objectives can be achieved. The achievement of goals and objectives will benefit the interests of the people and will have a significant positive effect on good governance. A budget is also a detailed plan formally expressed in quantitative terms, usually expressed in monetary units, for the acquisition and use of an organization’s resources within a specified period of time (Tannady et al., 2023).

Basically, the Regency Regional Government in its presentation still experiences obstacles or problems, this is evidenced in the formation of an opinion not giving an opinion (disclaimer) of the audit results of the Supreme Audit Agency (BPK) on regional financial reports, sometimes it will change for the better so that it gets a Reasonable With Exception (WDP) opinion which shows an increase in opinion because the district government has made improvements to weaknesses and non-compliance in preparing financial reports according to government accounting standards and the characteristics of financial statements that affect the fairness of the presentation of Regional Government Financial Statements Reforms in the field of regional financial management continue to roll out which is marked by the issuance of PP No. 58 of 2005 concerning Regional Financial Management as the Regional Financial Management Regulation. 58 of 2005 concerning Regional Financial Management as a replacement for the PP that preceded it (PP No. 105 of 2000). This is a synchronization effort following the issuance of a package of state financial management laws (Law No. 17 of 2003, Law No. 1 of 2004, and Law No. 15 of 2004) and a revised package of regional autonomy laws (Law No. 32 of 2004 and Law No. 33 of 2004) as well as PP No. 24 of 2005 on Government Accounting Standards. As stated in Law No. 32 of 2004 and Law No. 17 of 2003, financial reports are a form of local government accountability in realizing accountability and transparency in local financial management that must be submitted on time, and prepared in accordance with PP No. 24 of 2005 concerning Government Accounting Standards (Parullian & Tannady, 2023).

Transparency is a principle that ensures that everyone has access to or the freedom to get information about how government administration is carried out, namely information regarding policies, the formulation and implementation of those policies, and the outcomes attained. The right of the public to obtain information and public communication by the government are the two facets of the transparency principle. Siti Ailiyah and Aida Nahar (2012) define regional financial management as an all-encompassing activity that involves regional financial planning, execution, administration, reporting, accountability, and oversight. The main principles of regional financial management have been outlined in Regulation of the Minister of Home Affairs Number 13 of 2006. Transparency in information, particularly financial and fiscal information, must be conducted in a manner that is pertinent and simple to comprehend. It is possible to achieve transparency if roles and responsibilities are clear, information is accessible to the public, the budgeting process is transparent, and independent parties vouch for the accuracy of fiscal projections, data, and their elaboration. Government Accounting Standards (SAP), which are
accounting rules used in the preparation and presentation of financial accounts, are already in place for the government (PP No. 71 of 2010) (Rianti & Rachmawati, 2015).

The open flow of information serves as the cornerstone of transparency. Information and institutional procedures are readily available to anyone who require them. Information must be clear and easy to comprehend. Transparency, both at the national and local levels, is what Sedarmayanti calls “good governance,” according to Diana Sari. Transparency is that individuals, groups, or organizations in accountability relationships are directed without any lies or hidden motivations, and that all performance information is complete and has no purpose of eliminating data related to certain issues. Transparency is a principle that ensures that everyone has access to or the freedom to get information about how the government is run, specifically concerning policies, how they are created and implemented, and the outcomes that are obtained. The availability of sufficient, accurate, and timely information on public policies and the process by which they are created is referred to as transparency (Mardiasmoro, 2006).

With such information readily available, the general public may engage and monitor so that new public policies can deliver the best outcomes for the community and avoid fraud and manipulation that only favors a select few. By regulating the implementation of policies, openness and transparency also imply that members of the public or other government officials can learn about or participate in the design of plans for implementation and oversight. The local government is able to achieve transparency and accountability in local financial management in Galuh if the information in the local government financial reports satisfies the criteria for the characteristics of government financial reports as required by PP No. 24 of 2005. A prerequisite for accountability in the form of government openness for actions involving the management of public resources is the preparation of financial reports (Andoko & Angeline, 2023).

The foundation of transparency is the public’s freedom to obtain the information they require. This freedom is based on the public’s increased knowledge of local government administration, increased value of public trust in government, increased participation in regional development, and decreased breaking of the law. The concept of transparency is that every government program and activity is open to the public and can be easily accessed by various elements that have concerns, thereby increasing their participation to participate in controlling (check and balance) in realizing good governance. The idea of the need for government accounting standards has actually been around for a long time, but only at the level of discourse. Along with the development of accounting in the commercial sector spearheaded by the issuance of Financial Accounting Standards by IAI starting from 1994, the need for government accounting standards has strengthened again. Therefore, the State Financial Accounting Agency (BAKUN), Ministry of Finance began to develop accounting standards (Akbar & Nurbaya, 2000).

Methodology

This study employs an associative research type with a quantitative methodology. Employees of the Regional Revenue and Asset Financial Management Office who worked in district and city offices were the study's respondents. 50 employees from three districts and three cities in the province made up the study's sample. Convenient sampling was the sample technique utilized in the investigation. In this study, there are two types of data: primary data collected through surveys, interviews, and observations. In the meanwhile, documentation studies and literature reviews were used to gather secondary data. The validity and reliability of the study's questionnaire were initially examined. The data in this study were analyzed using multiple linear regression which previously tested classical assumptions and then presented in descriptive statistics.

Results

Before leading to the main hypothesis testing, the data in this study were processed in the classical assumption test to fulfill the requirements of linear regression analysis. In the normality test, it was found that the significant value of this research was obtained at 0.689 > 0.05, which means that the data is normally distributed and has met the normality requirements in the regression model. Through P-Plot testing, it is obtained that the points follow and approach the diagonal line, meaning that the regression model fulfills the normality assumption. Based on multicollinearity, it is known that the tolerance value of all independent variables > 0.10 and the VIF value of all independent variables < 10.00. So based on the results of the above calculations it can be concluded that the regression equation model does not have a multicollinearity problem and can be used in this
study. Meanwhile, based on the results of heteroscedasticity, it is known that there are no dots that form a certain pattern, and the dots spread above and below the number 0 on the Y axis, so there is no heteroscedasticity. Based on the results of multiple linear regression tests, a multiple linear regression equation can be obtained, namely Y = -6.283 + 0.604 PA + 0.423 KLKD + e

The constant coefficient is negative, stating that assuming the existence of budgetary control and the characteristics of regional financial reports properly, the transparency of government financial reports will be significantly supported because these variables help the government in controlling the budget and preparing financial reports properly because they follow the characteristics of regional financial reports, but each variable still requires other contributions, for example, supported by population expansion factors and increasing the sample. The positive value of the budget control regression coefficient states that assuming that budget control is implemented properly, the financial statements will be well organized, this greatly affects the transparency of government financial reports, so this level of transparency will increase. The regression coefficient of the characteristics of regional financial reports is positive, stating that assuming the application of characteristics in the preparation of financial reports greatly affects the transparency of government financial reports, this level of transparency will increase.

Based on partial testing, the t test result value of 0.002 <0.05 on budget control means that Ha is accepted, so it can be concluded that budget control has a significant effect on the transparency of government financial reports and on the t test value of regional financial report characteristics of 0.003 <0.05, this means that Ha is accepted, so it can be concluded that the characteristics of regional financial reports have a significant effect on the transparency of government financial reports. Meanwhile, in simultaneous testing, the Sig value of the F test results of 0.000 is smaller than 0.05, this means that Ha is accepted and Ho is rejected, so it can be concluded that budget control and the characteristics of regional financial reports simultaneously affect the transparency of government financial reports. Testing the coefficient of determination obtained an adjusted R2 value of 0.518. This indicates that the variation in budget control variables and the characteristics of regional financial reports can only explain 51.8% of the variation in the transparency variable of government financial reports. While the remaining 48.2% is explained by other causes outside the model, such as supervision and so on.

**Discussion**

Statistical testing on the hypothesis (Ha1) shows that budget control affects the transparency of government financial reports. In the partial testing table, the t test value of the budget control variable on the transparency of government financial reports has a significance value below 0.05, which is equal to 0.02. Thus the alternative hypothesis which states that there is an effect of budget control on the transparency of government financial reports can be accepted because of its significant value. Good and structured budget control will produce a good report so that the level of transparency will increase so that the value of trust in the government increases. This study supports research conducted by Lince Bulutoding which states that Budget Control has a positive and significant effect on good governance.

Budgetary control has an important role in promoting good governance in various levels of organizations, both public and private sectors. There are several reasons why budgetary control contributes positively and significantly to good governance. Budgetary control helps ensure that financial resources are allocated and used efficiently and effectively. In good governance, the principles of accountability and transparency are central. Budgetary control enables organizations to identify and closely monitor the use of funds, thereby minimizing the risk of misuse or waste of resources. Budgetary control contributes to compliance with applicable rules, regulations and standards. In good governance, legal and ethical principles are very important aspects. By implementing strict budgetary control, organizations can ensure that every financial action and budget allocation is in accordance with applicable legal provisions and ethical principles.

Budgetary control also creates the basis for evidence-based and rational decision-making. In good governance, decisions based on accurate and relevant information is one of the key principles. With good budgetary control, organizations can collect valid and relevant data on expenditures and financial performance, which are then used to inform policies and strategic plans. Finally, budgetary control creates transparency in financial reporting and tracking of results. Good governance requires a high level of transparency in managing financial resources. Strong budgetary controls enable organizations to prepare accurate and publicly available
financial reports. This supports the principle of accountability and provides stakeholders, including shareholders, donors, and the general public, with the information needed to assess the organization's performance.

Statistical testing on the hypothesis (Ha2) shows that the characteristics of regional financial reports affect the transparency of government financial reports. In partial testing, it can be seen that the t test value of the regional financial report characteristics variable has a significance value below 0.05, which is 0.03. Thus the alternative hypothesis which states that the characteristics of regional financial reports have an effect on the transparency of government financial reports can be accepted because of its significant value. This study supports research conducted by Indah Windrastuti which states that the characteristics of financial reports have a positive effect on transparency and accountability. Transparency has a positive and significant effect on the accountability of financial statements, meaning that transparency supports the accountability of financial statements.

The characteristics of financial statements have a very important role in increasing transparency and accountability in the context of businesses and organizations. Here are some reasons why financial statement characteristics contribute positively to transparency and accountability. Completeness of financial statements is one of the most important characteristics. Complete financial statements allow interested parties to thoroughly understand the financial condition and performance of the organization. This includes information on assets, liabilities, revenues, and expenses, as well as the supporting records. With a complete report, stakeholders such as shareholders, creditors, and regulators can have a clear picture of the company's financial situation and business results. Comparability is another characteristic that has a positive effect on transparency. Financial statements prepared under consistent accounting standards allow for easier comparisons between different time periods or between different companies. This facilitates stakeholders in conducting better analysis and evaluation of the company's performance. With comparability, financial information becomes more transparent and can be accessed more easily.

The principle of readability in financial statements also supports transparency. Reports prepared in clear language that is easily understood by non-financial experts help to convey information more effectively to stakeholders who may not have a financial background. This principle ensures that financial statements are not only available, but also understandable to the public at large. Integrity in the preparation of financial statements is a very important characteristic for maintaining accountability. Honest and accurate financial statements create trust among stakeholders. Organizations that demonstrate integrity in their financial reporting tend to be more trustworthy to the market, investors and the public. This promotes transparency and increases the organization's level of accountability for performance and management of funds.

Conclusion

Budget control significantly affects the openness of government financial reporting, according to the data gathered and the findings of tests performed using various regression models on the issues at hand. The characteristics of Regional Financial Reports have a significant effect on the transparency of government financial reports. Simultaneously budget control and financial report characteristics have a significant effect on government financial reports. Budget control and the characteristics of regional financial reports can only explain 52% of the variation in the variable transparency of government financial reports. While the remaining 48% is explained by other causes outside the model, such as supervision and so on.

References


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