p - ISSN 2460-3937
e - ISSN 2549-452X

JURNAL

TATA KELOLA & AKUNTABILITAS KEUANGAN NEGARA

Volume 5, Number 1, Jan - Jun 2019

BADAN PEMERIKSA KEUANGAN
DIREKTORAT PENELITIAN DAN PENGEMBANGAN

JURNAL TATA KELOLA & AKUNTABILITAS KEUANGAN NEGARA

Volume 5, Number 1, Jan - Jun 2019

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara issued as media to encourage research in the field of governance and state finance accountability. BPK publishes this journal two numbers in one volume each year. This journal accepts scientific papers as the results of primary and secondary research that can contribute in governance and state finance accountability.

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First Edition: July 2015
p - ISSN: 2460-3937
e - ISSN: 2549-452X

JURNAL TATA KELOLA & AKUNTABILITAS KEUANGAN NEGARA
Volume 5, Number 1, Jan - Jun 2019
p - ISSN: 2460-3937
e - ISSN: 2549-452X

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Foreword

The Audit Board of Republic of Indonesia (BPK) has the authority to examine the management and accountability of state finances. President is the holder of the power of state financial management. The President then partially delegates the Minister of Finance as the government fiscal and representative manager in the ownership of separated state assets, ministers/heads of non-ministerial government institutions as budget/goods users, and governors/regents/ mayors as regional government heads to manage regional finances and represent the government regions in the ownership of separated regional assets. Separation of authority is designed to ensure flexibility in the use of the budget and state financial accountability. As a state financial manager, the government, among others, must have an understanding of planning, control, and accountability in budget management to be able to implement good governance. The budget is an indicator used to measure performance of public sector organizations.

This edition begins with an article entitled "Budget turbulence and budget deviation: Do local governments have the ability to reduce them?" The purpose of this study is to examine and analyze the effects of local governments' ability on the relationship between budget turbulence and budget deviation. The deviation is a condition budget that indicates a failure to control such a budget that can potentially cause a budget surplus or a deficit. The study analyzes the regional budget (APBD) report on the number of districts/cities in Indonesia, from 2015-2017. The result is the capacity of local governments to manage budgets efficiently and effectively can reduce the influence of budget turbulence on the budget deviation.

The state revenue is still dominated by tax revenue, although the number of taxpayers who report their annual tax return is less than the number of taxpayers registered. The government always strives to improve the tax system and improve tax policies to achieve tax revenue optimization and improve tax compliance. Article "Tax reform in the performance of tax officers and their implications on tax compliance in the perception of tax payers?" aims to determine how much influence tax reforms have on the performance of tax service officers and their implications for taxpayer compliance according to taxpayer perceptions.

One of the challenges in managing state finances is having an effective internal control system to mitigate fraud. Ineffective internal control system will provide opportunities for actors to act opportunistically. Article "Can the internal control system reduce fraudulent use of the village funds in the adverse selection condition?" discusses the internal control capabilities of the system of fraudulent use of village funds in agency conflict conditions.

Transparency and accountability are presented in the form of financial reports so far. The fourth article tries to find out how the impact of the presentation of financial reports is in the management of state finances by a case study on one of the higher education institutions. "Transparency and accountability as financial management of universities: a study on state universities in Malang City" results that the presentation of financial reports and accessibility to financial reports have a positive impact on transparency and accessibility in financial management.

“Analysis of the responsibility of government institutions in returning state losses according to Law number 30 of 2014 on government administration” is study using a normative legal research method, aims to test consistency between the legal norms applied in Law Number 30 of 2014 and the laws on state finance. The study demonstrates that government institutions cannot be designated as the legal subject responsible for state losses and proposed a revision to the relevant provisions of Law Number 30 of 2014 in order for such law to be in line with the provisions that presently govern state finance.

The last article entitled “Measuring efficiency and effectiveness of Indonesian Regional Development Banks.” This study explores the efficiency and effectiveness of Regional Development Banks (BPD) based on the results of performance audit conducted by BPK. By using data envelopment analysis. The results show that both efficiency and effectiveness are not always achieved. Several BPDs that were relatively efficient were not effective and vice versa.

Jurnal Tata Kelola dan Akuntabilitas Keuangan Negara has entered the fifth year issue. We would like to thank the contributors for the contribution of ideas and thoughts through articles that have been sent. In addition, we also express our gratitude to reviewers and various parties who have helped publish this journal. We look forward to the participation of journal readers and observers of state finance to channel their ideas and thoughts through articles with a scope related to state financial governance and accountability.

Hopefully the articles that we present in the June 2019 edition would enhance the reader's insight and knowledge and become a reference, both for subsequent research/writing and policy formulation.

Editor in Chief

Dwi Setiawan Susanto, S.E., M.Si., Ak.

BUDGET TURBULENCE AND BUDGET DEVIATION: DO LOCAL GOVERNMENT HAVE THE ABILITY TO REDUCE THEM?

Eva Herianti

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 5(1) 2019: 1-20

The purpose of this study is to examine and analyse the effect of local governments' ability on the relationship between budget turbulence and budget deviation. The study sample uses the regional budget (APBD) report and realization of a number of districts/cities throughout Indonesia encompassing the 2014-2017 period, while the analysis covers the period from 2015-2017. This study uses the least square approach with EViews analysis tool version ten to test the hypothesis. Result of the study shows that budget turbulence has a positive and significant effect on budget deviation. The result also shows that the capacity of local governments can reduce the influence of budget turbulence on the budget deviation. Sensitivity tests using proxies of local governments not sampled by the main test also show consistent results. Finally, sensitivity test by area category proves that for the three categories, mainly western, central, and eastern Indonesia, the results are consistent with the main test results. The contribution of this study to the policies of the local governments is aimed to enhance efficiency of spending and increase productive spending to support the priority of government programs and encourage efficient, innovative and sustainable financing while maintaining the investment climate. Through several of these alternatives, the local government can overcome the conditions of resource instability that can threaten the effectiveness of the implementation of various programs.

KEYWORDS:

Budget turbulence; local government ability; budget deviation

TAX REFORM IN THE PERFORMANCE OF TAX OFFICERS AND ITS IMPLICATIONS ON TAX COMPLIANCE IN THE PERCEPTION OF TAX PAYERS?

Febrian Kwarto, Nenah Yunaenah

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 5(1) 2019: 21-35

Many complaints submitted to tax authorities have an impact on taxpayer compliance in carrying out their obligations, while also creating opportunities for non-compliance in applicable tax regulations. This study aims to determine how much influence tax reforms have on the performance of tax service officers and its implications for taxpayer compliance according to taxpayer perceptions. The data collection instrument used in this study is a questionnaire administered to 372 corporate taxpayer respondents at the Pratama Kelapa Gading Tax Office using the convenience sampling method. The analytical tool used is the Structural Equation Model (SEM) using the LISREL (Linear Structural Relationship) program. The results of this study show that according to the taxpayers' perception, tax reform has a significant influence on tax service performance, tax service performance has a significant influence on taxpayer compliance and tax reform has a significant influence on tax compliance.

KEYWORDS:

Tax reform; tax service performance; taxpayer compliance

CAN THE INTERNAL CONTROL SYSTEM REDUCE FRAUDULENT USE OF VILLAGE FUNDS IN ADVERSE SELECTION CONDITION?

Theresia Febiengry Sitanala

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 5(1) 2019: 37-56

KEYWORDS:

Internal control system; adverse selection; village funds

In recent years, corruption cases at the village level have been in the public spotlight. This was evidenced through around 154 corruption cases at the village level involving 112 village heads, 32 village officials and 3 village heads. This corruption case resulted in the state experiencing a loss of 47.56 billion rupiah during 2015-2017. This case is carried out through various modes such as the practice of budget abuse, fictitious reports, fictitious activities/projects, and budget bubbles. These various modes occur because the internal control system is ineffective, so it provides an opportunity for actors to act opportunitically. The goal is to maximize his personal interests as agents rather than the interests of the community as principals. This opportunistic behavior is caused by the existence of information asymmetry. Information asymmetry creates conditions for obtaining information that is not aligned between the village head as an agent and the community as the principal, so that the emergence of adverse selection. This study aims to examine the effect of the internal control system on fraudulent use of village funds in agency conflict conditions through adverse selection. This study used the laboratory experiment method with the subject being Accounting Student at Pattimura University Ambon. The data analysis technique uses Two-Way ANOVA with a 2x2 factorial experimental design. The results of the study show that (1) adverse selection conditions affect the relationship between the internal control system and fraudulent use of village funds, (2) the internal control system that does not effectively affect fraudulent use of village funds under adverse selection is compared to no adverse selection (3) adverse selection conditions do not affect fraudulent use of village funds when the internal control system is effective, and (4) in the absence of adverse selection, an effective internal control system will reduce fraudulent use of village funds compared to ineffective internal control systems.

TRANSPARENCY AND ACCOUNTABILITY AS DETERMINANTS IN THE FINANCIAL MANAGEMENT OF UNIVERSITIES: A STUDY ON STATE UNIVERSITIES IN MALANG CITY

I Wayan Yeremia Natawibawa, I Made Oka Mulya, Wahyu Hendarto Yoh

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 5(1) 2019: 57-72

KEYWORDS:

Presentation of financial report; accessibility; transparency; accountability

Educational organizations are public sector organizations, making transparency and accountability two important principles that must be reflected in their financial management. This requirement is enshrined in the Law of the Republic of Indonesia Number 12 of 2012 on University. Two factors that can potentially influence transparency and accountability of financial management are the presentation of financial report of the organization in question and accessibility to such statements. This research is intended to analyze the impact of financial report presentation and accessibility to financial reports on transparency and accountability of financial management of a state university in Malang City. Rate of returned and completed questionnaire is 100%, comprising of 252 questionnaires. Data analysis is conducted using multiple linear regression. There are two independent variables used in this research, namely the presentation of financial reports and accessibility to financial reports, and two indepen-dent variables, namely transparency and accountability of financial ma-nagement. The result of this research indicates that the presentation of financial reports and accessibility to financial reports have a positive impact on transparency and accessibility in financial management. This in turn implies that the public would consider that financial management at the state university is accountable if its financial report is prepared in accordance with the applicable standards and easily accessed.

ANALYSIS OF THE RESPONSIBILITY OF GOVERNMENT INSTITUTIONS IN RETURNING STATE LOSSES ACCORDING TO LAW NUMBER 30 OF 2014 ON GOVERNMENT ADMINISTRATION

Joseph Harry Krisnamurti and Belinda Gunawan

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 5(1) 2019: 73-89

The passage Law Number 30 of 2014 on Government Administration has raised its own problems due to its clauses regarding legal subjects that could be charged with reinstating state losses. This is due to the fact that such Law provides that government institutions can be determined as the party that is responsible for reinstating state loss that have occurred, which contradicts with the definition of state loss as stipulated in the applicable state finance laws that position the state as the party suffering the loss when a state loss is incurred. This research has been conducted using a normative legal research method which aims to test consistency between the legal norms applied in Law Number 30 of 2014 and the laws on state finance. Result of this research demonstrates that government institutions cannot be designated as the legal subject responsible for state losses. Such stipulation is not legally logical as it asserts that government institutions that are in fact representatives of the State may be required to return or pay the state losses to the state. Therefore there needs to be a revision to the relevant provisions of Law Number 30 of 2014 in order for such law to be in line with the provisions that presently govern state finance.

KEYWORDS:

Responsibility; government officials; state losses; Law Number 30 of 2014

MEASURING EFFICIENCY AND EFFECTIVENESS OF INDONESIAN REGIONAL DEVELOPMENT BANKS

Bahrullah Akbar, Achmad Djazuli, Jariyatna

Jurnal Tata Kelola & Akuntabilitas Keuangan Negara, 5(1) 2019: 91-101

This study explores the efficiency and effectiveness of Regional Development Banks (BPD) based on the results of performance audit conducted by the Audit Board of the Republic of Indonesia (BPK RI). Performance audit produces conclusion and recommendation on economy, efficiency and effectiveness (3E). BPDs are expected to be regional champions in their respective regions. Data envelopment analysis (DEA) is used to calculate the level of production and operational efficiency of the BPDs while the level of effectiveness is assessed based on the results of performance audit conducted by BPK RI. The results show that both efficiency and effectiveness are not always achieved. This study also identifies BPD that have the highest value of production and operational efficiency and the level of effectiveness. The BPD obtained the highest efficiency and effectiveness values could be used as a reference for other BPDs to make improvements and become a regional champion in their respective regions.

KEYWORDS:

Data envelopment analysis (DEA), production efficiency, operational efficiency, effectiveness

JURNAL

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p-ISSN 2460-3937

BUDGET TURBULENCE AND BUDGET DEVIATION: DO LOCAL GOVERNMENT HAVE THE ABILITY TO REDUCE THEM?

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ABSTRACT

The purpose of this study is to examine and analyse the effect of local governments' ability on the relationship between budget turbulence and budget deviation. The study sample uses the regional budget (APBD) report and realization of a number of districts/cities throughout Indonesia encompassing the 2014-2017 period, while the analysis covers the period from 2015-2017. This study uses the least square approach with EViews analysis tool version ten to test the hypothesis. Result of the study shows that budget turbulence has a positive and significant effect on budget deviation. The result also shows that the capacity of local governments can reduce the influence of budget turbulence on the budget deviation. Sensitivity tests using proxies of local governments not sampled by the main test also show consistent results. Finally, sensitivity test by area category proves that for the three categories, mainly western, central, and eastern Indonesia, the results are consistent with the main test results. The contribution of this study to the policies of the local governments is aimed to enhance efficiency of spending and increase productive spending to support the priority of government programs and encourage efficient, innovative and sustainable financing while maintaining the investment climate. Through several of these alternatives, the local government can overcome the conditions of resource instability that can threaten the effectiveness of the implementation of various programs.

KEYWORDS:
Budget turbulence; local government ability; budget deviation

ARTICLE HISTORY:
Received at : 24 March 2019
Published at : 28 June 2019

INTRODUCTION

The main issue often found in the process of budget preparation and application is budget deviation. Budget deviation is a condition that indicates a failure to control such budget that can potentially cause budget surplus (under-spending) or a deficit (over-spending). In public sector organizations, budget deviation is a major issue in planning, control, and accountability in budget management. This happens because budget is one indicator used to measure performance of public sector organizations. Variance between budget planning and realization within an organization, whether favorable or unfavorable, i.e. surplus or deficit, proves that the budgeting process, from budget planning to control, is not running efficiently or effectively. One evidence of budget deviation in a public sector organization, particularly in a local government, is demonstrated by the municipal of Bekasi. The Bekasi municipal government experienced a deficits of Rp900 billion in 2018 (Al-Fajri, 2018). The high deficit is due to the government spending being too large, without a corresponding guaranteed revenue. This condition indicates that the municipal government is less than effective in carrying out its financial planning and budgeting.

Surplus or deficit indicates that the budgeting process has not been carried out efficiently or effectively. Spending surplus does not mean that a government has carried out proper planning, control, and management of budget accountability. Rather, surplus demonstrates the lack of ability and discipline on the part of the government in preparing and realizing its budget (Johansson & Siverbo, 2014). Furthermore Wirasedana, Sisdyani and Setiawan (2018) states that the ideal budget realization is the realization of a balanced budget, where the local government as far as possible avoids surplus and, more importantly, deficit. Table 1 presents surpluses and deficits in the realization of the local government budgets in Indonesia over the period of 2015-2017.

Table 1. Surpluses and Deficits Actual Budget

Years	Surplus	Deficit	Balance
2015	316	225	1
2016	224	318	0
2017	316	226	0

Source: *Directorate General of Fiscal Balance*
Processed by Researcher

Table 1 shows that during 2015-2017, local governments experienced multiple occasions of surplus and deficit. Balanced budget realization was only found in 2015. The data shows that local governments are still experiencing difficulties in effecting budget planning, control, and accountability in an effective and efficient manner. Halim and Kusufi (2014) state that when there is surplus, priority should be given to its application to cover principal debt, regional capital investment, lending to the central government/ other regions and/or funding for increased social security spending. Meanwhile, if there is deficit, financing to cover the deficit can be derived from the remaining balance of the previous year's budget (SILPA), disbursement of reserve funds, sale of separated regional assets, loan, and settlement of receivables.

Anessi-Pessina, Barbera, Rota, Sicilia, and Steccolini (2012) states that budgeting research in public sector organizations in the accounting and public administration literature that focuses on budget control-related outcomes is still rarely done by researchers. Furthermore, Anessi-Pessina et al. (2012) states that budgeting research in public sector organizations tends to be associated with changes in accounting standards and their implementation. Meanwhile, Wildavsky (1975), Jonsson (1982), Boland and Pondy (1986), Covaleski and Dirshmit (1988) focused more on the decision-making process in budgeting. Therefore, recent research has begun to focus on budget control-related outcomes, such as Johansson and Siverbo's (2014) research, and Wirasedana et al. (2018). This study is a modification of the study of Johansson and Siverbo (2014), and Wirasedana et al. (2018) with a focus on research only on budget turbulence and budget deviation. Furthermore, the researcher introduces modifications through the use of moderating variables, such as the ability of local governments to deal with budget turbulence that can affect the occurrence of budget deviations. Thus, the focus of this study is on the skills of local governments in planning, controlling and being accountable for budget management efficiently and effectively in the face of budget turbulence as a result of economic upheavals and fiscal pressures in public sector organizations, thereby reducing the occurrence of budget deviations.

Local governments in the budget formulation process up to the budget realization stage need an appropriate and accurate strategy in determining the availability of resources or regional potentials that will be used in the realization of regional government programs. The availability of these resources will be used to support various local government programs through the revenue budget sourced from regional revenues, central government policies, local government policies, also micro and macro economic conditions.

Wirasedana et al. (2018) state that public sector organizations that face significant budget turbulence would likely encounter a more pronounced lack of synchronicity between the goals set by the central managers and those established by department managers. Furthermore, in situations where low or no budget turbulence is present, the budgeting process of a public sector organization is likely incrementalism-based. Low budget turbulence indicates that local governments only marginally departs from the previous year's budget (Boyne & Meier, 2009). As a result, the process of planning, controlling, and accountability in managing the budget does not work efficiently and effectively, resulting in budget deviations.

To reduce the effect of budget turbulence on budget deviations, it requires the skills of local governments to manage budgets efficiently and effectively. The capability of local government is the ability of local governments to implement public policies through the management of their own resources to a minimum to produce maximum service quality in order to improve the welfare of the community. World Economic Forum (2015) states that government efficiency is associated with a reduction in regulatory burdens, increased transparency of regulations, and reduction in wasteful costs. Lee and Whitford (2009) also Portes and Haller (2010) state that the efficiency of local government will improve performance, so that the quality of community welfare services can be improved. The skills of local governments show the character of government officials in implementing public policies. Capable regional governments will be able to make public policy decisions to achieve levels of efficiency and effectiveness in managing government resources, have accurate estimation capabilities, have experience and understanding of the domain of public policy, have expertise in carrying out their duties, and can use strategies that are right on target. So that the regional government can manage and overcome the instability of the availability of resources, thereby minimizing the occurrence of budget deviations.

Based on the description of the background that the researcher has explained earlier, the formulation of the research problem is whether the local government has the ability to reduce the effect of budget turbulence on welfare. Based on the description, the hypothesis proposed is as follows.

H2 : The higher the local government's ability, the lower the influence of budget turbulence on budget deviations. Conversely, the lower the local government's ability, the higher the influence of the budgetary turbulence on the budget deviation.

The research model can be visualized as follows.

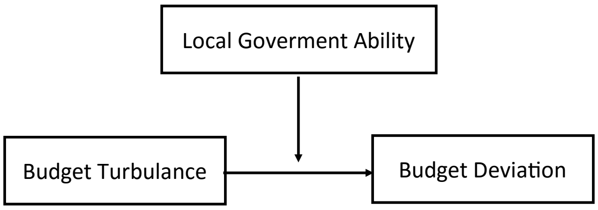

Figure 1. Research Model

RESEARCH METHOD

This study uses budget report data and realization of regional income and expenditure budgets of a number of districts/cities throughout Indonesia for the 2014-2017 period. This data source is obtained through the website of the Directorate General of Fiscal Balance. The study sample comprises of district/city governments throughout Indonesia. Meanwhile, the analysis covers the years 2015-2017. The sample selection covers the last three–year period in order to represent the current phenomenon, and 2014 is used as the base year in calculating research variables involving the previous period. This study uses budget turbulence, local government ability, and budget deviation, as variables. Table 2 presents the operational definition of the three research variables.

This study uses the least square approach to test the research hypothesis. This approach requires researchers to test classical assumptions, namely normality, multicollinearity, heteroscedasticity, and autocorrelation. This study does not use the normality test because the number of sample observations have fulfilled the criteria for the central limit theorem (Gujarati & Porter, 2009). Meanwhile, this study uses a multicollinearity test to detect correlations between independent variables in the research model through tolerance values and VIF. The rule of thumb of TOL values >0.1 and VIF <10 indicates that there is no correlation between independent variables in the research model. The heteroscedasticities test uses white's heteroscedasticity-consistent variance and standard error to

Table 2. Operational Variable Definition

Definition	Measurement	Scale
Budget Turbulence Instability of resources to develop a budget that can threaten the effectiveness of the implementation of programs and activities to improve public welfare.	Budget Turbulence = (Budget Revenue – Actual Cost$_{t-1}$)/Actual Cost$_{t-1}$ (Adapted from Johansson & Siverbo, 2014; and modified by Wirasedana et al., 2018)	Ratio
Local Government Ability The government's ability to manage owned resources to produce maximum service in order to improve people's welfare.	Efficiency Ratio = Actual Cost/Budget Cost Effectiveness Ratio = Actual Revenue/Budget Revenue (Adapted from Hamid, 2018)	Ratio
Budget Deviation A condition demonstrating the government's failure to control budget that can potentially cause surplus (under-spending) or a budget deficit (over-spending).	Budget Deviation = (Budget Cost - Actual Cost)/Actual Cost (Adapted from Johansson & Siverbo, 2014; and modified by Wirasedana et al., 2018)	Ratio

Source: *Johansson & Siverbo (2014); Hamid (2018); Wirasedena et al. (2018)*

correct the parameter values obtained by the least square method and its output can be used as the final result of hypothesis testing because the heteroscedasticity problem has been corrected (Ghozali & Ratmono, 2017). Finally, the autocorrelation test uses the Durbin-Watson (DW) value with decision-making criteria as shown in table 3.

Table 3. Decision of Autocorrelation Test

Decision	If
Positive Autocorrelation	< -2
No Autocorrelation	-2 to +2
Negative Autocorrelation	> +2

Source: *Santoso (2010)*

RESULT AND DISCUSSION

This study uses descriptive statistics to briefly explain the research variables. Table 4 shows descriptive statistics of research variables, namely, budget turbulence, local government ability of local as measured by efficiency ratio and effectiveness ratio, also budget deviation. Table 4 shows that the average budget deviation is 0.1155. This value indicates that the average failure of the district/city governments in controlling their budget that can potentially cause surplus or deficit is 11.55%. The average budget turbulence indicates that the local government is experiencing instability of resource used to develop a budget that can threaten the effectiveness of the program's implementation and activities to increase public prosperity by 38.26%. Average local government capacity as measured by the efficiency ratio indicates their ability to manage their resources to produce quality service to the community is 91.21%, thus the average local government made a saving by 8.79% of its budget. Effectiveness ratio as a proxy for the capacity of local governments to test sensitivity shows a value that indicates that they are able to manage resources effectively at 95.56%. Meanwhile, the standard deviation indicates the volatility of the research variables.

Table 4. Descriptive Statistics

Variables	N	Mean	Std. Deviation
BD	1524	0.1155	0.1698
BT	1524	0.3827	4.4340
ESR	1524	91.2175	11.3345
EFR	1524	95.5674	10.5126

Notes:
BD = Budget Deviation
BT = Budget Turbulence
ESR = Efficiency Ratio
EFR = Effectiveness Ratio

The Effect of Budget Turbulence on Budget Deviation

Baron and Kenny (1986) state that to test for the moderating effect in the research model, the researchers shall first test the main effect. Furthermore, researchers can test the moderating effect if the main effect is significant. Table 5 presents the main effect test results, namely the effect of budget turbulence on budget deviation.

Table 5. Main Effect Test

Independent Variable	Least Square Method Dependent Variable:		
	Coefficient	t-statistic	Prob.
BT	0.0122	3.3893	0.0007
Constant	0.1108	26.7985	0.0000
F-Statistic	172.4296		
Prob (F-Statistic)	0.0000		
R^2	0.1017		
Durbin-Watson Statistic	1.3674		
N	1.524		

Note: Correction heteroscedasticity uses the Huber-White-Hinkley (HC1) heteroscedasticity Consistent Standard Error and Covariance

Notes:
BD = Budget Deviation
BT = Budget Turbulence

budget deviations. Thus, the purpose of this study is to examine and analyze how local governments' ability can affect relationship between budget turbulence and budget deviation.

Budget Turbulence and Budget Deviation

Budget turbulence is the instability of resource availability needed to compile a budget, that can threaten the effectiveness of the implementation of programs aimed to enhance people's welfare. Causes of budget turbulence are (1) developments in the micro and macro economic environment; (2) changes in government policies, such as fiscal and monetary policies; (3) income predictions not reaching the intended levels; and (4) expenditure calculations are not accurate. As a result, the planning, control, and accountability in managing the budget do not work efficiently and effectively, resulting in budget deviations.

The problem often faced by local governments in Indonesia in the budgeting process up to budget realization relates to the availability of potential resources that will be used to finance the programs. Potential resources are reflected in the regional government's projected revenue derived from local revenues, central government policies, local government policies, and micro and macro economic conditions. However, potential resources available for budgeting often fluctuate from year to year, leading to budget turbulence (Boyne & Meier, 2009). In addition, budget turbulence occurs because the performance-based budgeting adopted by local governments closes the opportunity for incrementalism-based budgeting. Targets, spending limits, priorities, and performance levels must be set based on the performance goals of the year in question which can experience differences with the previous year. It is even possible to implement zero-based budgeting, given that needs analysis and priority activities are determined for each fiscal year (Wirasedana et al., 2018). This condition has resulted in local governments being unable to control the budget effectively and efficiently, so that it has the potential to experience budget deviations.

Budget deviation is a manifestation of information asymmetry from the aspect of agency theory. This condition occurs because the local government as an agent has more information related to budget management, such as the various changes that occur in the budget and conditions of instability of resources to develop budgets. Meanwhile, the community as principal only has information on financial reports published by the local government. The negative consequence is that those who have more information can benefit from this information asymmetry.

Findings of Wirasedana et al. (2018) show that budget turbulence has no significant effect on budget deviation. However, when budget turbulence is interacted with tight budget control it has a negative and significant influence. This effect has been demonstrated by the provincial government of Bali, where the budget turbulence that they experienced did not result in budget deviations. Level of tightness of budget control constitute the main factor in the occurrence of budget deviations. Contradicting the findings of Wirasedana et al. (2018), the finding of Johansson and Siverbo (2014) show that budget turbulence has a negative and significant effect on budget deviations and when interacted with tight budget control has a positive and significant influence on budget deviation. Based on the description, the hypothesis proposed is as follows.

H1 : Higher budget turbulence results in higher budget deviations in the district/city government. Conversely, the lower the budget turbulence, the lower the budget deviation in the district/city government.

Budget Turbulence, Local Government Ability, and Budget Deviation

Johansson and Siverbo (2014) explain that budgeting and budget control are central in planning, control, and accountability in public sector organizations. An important reason for budgeting in public sector organizations is that allocated resources must be used to enhance the people's prosperity. If economic resources stated in the budget are not used efficiently and effectively, it would imply that the realization of political priorities has not been carried out optimally and can reduce benefits for the welfare of society (Johansson & Siverbo, 2014). The realization of political priorities that are not carried out optimally can be known through the existence of variance in budget calculations, surpluses or deficits. Surplus shows the inability and indiscipline of the government in compiling and realizing the budget (Johansson & Siverbo, 2014), illegitimate because politically the allocation of resources should be used to improve people's welfare (Wirasedana et al., 2018), and can cause issues or adverse reactions such as from the media, non-governmental organizations, and even the public, conveying the impression that the local government cannot use public funds available for the public interest (Wildavsky, 1975). Meanwhile, budget deficit indicates economic difficulties that force the local government to reduce spending and control inadequate budget.

Failure of the government to control budget that can result in surplus (under-spending) or deficits (over-spending) in the budget is referred to as budget deviation. Budget deviation reflects the inability of the local government to plan, control and account for the management of budgets, rendering its performance to become ineffective. One of the factors that contribute to budget deviation is budget turbulence. Budget turbulence shows instability in resource availability to develop budgets, potentially threatening the effectiveness of the implementation of programs and activities aimed to improve the welfare of the community.

An important factor that can reduce the influence of budget turbulence on budget deviations is the ability of the local government, namely its ability of to implement public policies through the management of its available resources to produce maximum service quality to ultimately improve the welfare of the community. Competence of the local government is an important prerequisite for government officials to carry out government activities with the aim of increasing efficiency and effectiveness in order to achieve public welfare. Capable regional governments will be able to make public policy decisions to achieve efficiency and effective management of government resources. The skills of the local government are based on experience, and their ability within the domain of public policy, strategy, and information technology. Efficiency efforts carried out by local governments represent how well they can manage resources optimally, so as to improve public services with the aim of bringing prosperity to the people. Capable regional governments are able to manage and overcome instability with the available resources, thereby minimizing the occurrence of budget deviations.

Findings of Hamid (2018) show that regional financial performance in the form of regional independence, efficiency, effectiveness, and harmony in government financial expenditure have a positive and significant effect on the level of public welfare. Furthermore, the findings of Riswan and Affandi (2014) show that regional financial performance has a positive and significant effect on capital expenditure for public services. The two findings of this study prove that local governments are able to manage their resources to improve the quality of public services, thus affecting the quality of improving people's

The researchers tested the assumptions of heteroscedasticity and autocorrelation before testing the main effects. The results of the Durbin-Watson (DW) test show a value of 1.3674. This value is in the range of -2 to +2, so this research model is free from autocorrelation problems. The result of the main effect test indicates that this research model fulfills the goodness-of-fit-assumption. Furthermore, the R^2 value indicates that budget deviation can be explained by variations in the budget turbulence at 10.17%, while the other 89.83% is due to other factors. Testing of the first hypothesis (H1) through the main effect, namely, the effect of budget turbulence on the budget deviation, shows that budget turbulence has a positive and significant effect on budget deviation. Thus, the first hypothesis (H1) is supported.

Budget turbulence is a condition of instability of resources used to compile a budget that can threaten the effectiveness of the implementation of programs and activities in order to improve public welfare. Data on the budget turbulence average shows 38.26% for local the governments during the 2015-2017 period. Such data proves that the budget turbulence is an important factor that contribute to the occurrence of budget deviation in the local government. This condition indicates that local governments tend to experience constraints in the form of resource instability in budgeting, threatening the effectiveness of program implementation aimed to improve public welfare. As a result, the budgeting process becomes less effective and accurate, causing local governments to fail to control their budget and lead to underspending or budget deficit. Occurrence of budget deviations signifies that a local government has failed to create superior public policies.

Nugroho (2017) states that the governments fail to build great and superior public policies due to two important factors, namely, (1) not understanding the meaning and substance of public policy, and (2) unavailability of public policy analysts, or, they may be available but fail to work effectively, or if they work effectively, their work may not have been able to produce great policies. As a result, the local governments fail to control budget deviations.

The findings of this study are inconsistent with the finding of Wirasedana et al. (2018) that budget turbulence has no significant effect on budget deviation. However, when budget turbulence interacts with tight budget control it has influence on budget deviations. The findings of Johansson and Siverbo (2014) also show that budget turbulence has a positive and significant effect on budget deviations when interacted with tight budget controls.

The Effect of Budget Turbulence on Budget Deviation Moderated by the Skills of the Local Government

This study examines the effect of budget turbulence on budget deviation with local government capacity measured by efficiency ratio as a moderating variable. Therefore, to test the moderating effect, the researchers first tested multicollinearity as shown in table 6.

Table 6 shows the results of the multicollinearity test through tolerance and VIF. The TOL and VIF values of the budget deviation are 0.899> 0.1 and 1.112 <10; efficiency ratio is 0.168> 0.1 and 5.952 <10; interactions between budget turbulence and efficiency ratio are 0.909> 0.1 and 1,100 <10. Thus this study did not experience multicollinearity problems between the independent variables. The heteroscedasticity tests use White's heteroscedasticity-consistent variance and standard error, so that the test results can be directly used in the hypothesis decision making process. Furthermore, results of the Durbin-Watson (DW) test show a value of 1.9880. This value is in the range of -2 to +2, and as such this research model is free from autocorrelation problems.

Table 6. Multicollinearity Test

Variables	R^2	TOLERENCE ($1-R^2$)	VIF (1/TOL)
BT	0.101	0.899	1.112
ESR	0.832	0.168	5.952
BT X ESR	0.091	0.909	1.100

Notes:
BT = Budget Turbulence
ESR = Efficiency Ratio
BT X ESR = Interaction between Budget Turbulence and Efficiency Ratio

Table 7 shows that the F statistic value and the F probability of statistics indicates that this research model fulfills the goodness-of-fit assumption. Next, the value of R^2 shows that budget deviation can be explained by variations in budget turbulence, efficiency ratio, and interactions between the budget turbulence and efficiency ratio of 86.40%, while the other 13.06% is due to other factors. The testing of the second hypothesis (H2) through the moderating effect, namely the effect of budget turbulence on budget deviation moderated by the skills of the local government, generates a coefficient value of -0.0006, t-statistic of -12.6155, and probability value of 0. The results of this test prove that capacity of local governments can reduce the influence of budget turbulence on the budget deviation. Thus, the second hypothesis (H2) is supported.

Table 7. Moderating Effect Test

Independent Variables	Least Square Method Dependent Variable: BD		
	Coefficient	t-statistic	Prob.
BT	0.0320	16.3853	0.0000
ESR	-0.0133	-16.3408	0.0000
BT X ESR	-0.0005	-12.6155	0.0000
Constant	1.3353	17.6426	0.0000
F-Statistic	3220.2350		
Prob (F-Statistic)	0.0000		
R^2	0.8640		
Adjusted R^2	0.8637		
Durbin-Watson Statistic	1.9880		
N	1524		

Note: Correction heteroscedasticity uses the Huber-White-Hinkley (HC1) heteroscedasticity Consistent Standard Error and Covariance

Notes:
BD = Budget Deviation
BT = Budget Turbulence
ESR = Efficiency Ratio
BT X ESR = Interaction between Budget Turbulence and Efficiency Ratio

Capacity of local government refers to their ability to implement public policies through the management of their own resources at a minimum to produce maximum service quality in order to enhance public welfare. Competence of the local government is one of the important prerequisites for government officials to carry out government activities with the aim of increasing efficiency in order to achieve public welfare. Capable regional governments are able to make public policy decisions to achieve a high level of efficiency in managing government resources. The skills of local governments are acquired through experience including their understanding of public policies, strategies and technology. Efficiency efforts carried out by regional governments as a representation of their skills would show that local governments are able to manage resources optimally, thereby increasing public services to achieve public welfare. Capable regional governments are able to manage and overcome instability in the availability of resources, thereby minimizing the occurrence of budget deviations.

Testing of the moderation effect also proves that the budget turbulence has a positive and significant effect on budget deviation.

The results of this test are consistent with the results of test conducted on the main effects. Furthermore, the skill of the local government exhibits a coefficient value of -0.0133, t -statistic value of -16.3408, and probability value of 0. This finding shows that the skills of local governments have a negative and significant effect on budget deviation. The average skill score of the local governments is 91.21% for the 2015-2017 period. This data shows that local governments are able to achieve expenditure efficiency by 8.79%, thus proving that they are able to plan, manage and control the budget efficiently, thereby reducing budget deviation and ultimately improve the quality of services delivered to the community.

The findings of this study are consistent with Hamid's research findings (2018), indicating that efficiency can improve people's welfare, and the findings of Riswan and Affandi (2014), showing that efficiency can increase capital expenditure for public services. The World Economic Forum (2015) states that government efficiency is associated with a reduction in regulatory burdens, increased transparency of regulations, and reduction in wasteful costs. Lee and Whitford (2009) and Portes and Haller (2010) state that the efficiency of local government will improve performance, so that the quality of the public welfare services can be improved.

Sensitivity Test on Moderating Effect with Effectiveness Ratio

This study uses a sensitivity test through an Effectiveness ratio proxy as a proxy for local government skills. The aim is to improve the accuracy of the research results. Table 8 shows the sensitivity test for the moderating effect.

The sensitivity testing of the moderating effect as shown in table 8 indicates that the budget turbulence exhibits a coefficient value of 0.0241, t-statistic value of 15.1541, and probability value of 0. This finding proves that budget turbulence has a positive and significant effect on budget deviation. The results of this test are consistent with the results of testing conducted on the main effects. The skills of the local government exhibits a coefficient value of -0.0107, t-statistic value of -19.4102, and probability value of 0. This finding shows that the skills of local governments have a negative and significant effect on budget deviation. The average skill score of local government is 95.56% for the 2015-2017 period. This data shows that the local governments are effective in managing resources, resulting in high budget realization. Capable regional governments would be able to plan, manage and control the budget effectively, thereby reducing budget deviation. Finally, local governments can improve the quality of services

Table 8. Moderating Effect Test

Independent Variables	Least Square Method Dependent Variable: BD		
	Coefficient	t-statistic	Prob.
BT	0.0241	15.1541	0.0000
EFR	-0.0107	-19.4102	0.0000
BT X EFR	-0.0003	-7.5242	0.0000
Constant	1.1370	21.2082	0.0000
F-Statistic	572.2599		
Prob (F-Statistic)	0.0000		
R^2	0.5303		
Adjusted R^2	0.5294		
Durbin-Watson	1.8833		
N	1524		

Note: Correction heteroscedasticity uses the Huber-White-Hinkley (HC1) heteroscedasticity Consistent Standard Error and Covariance

Notes:
BD = Budget Deviation
EFR = Effectiveness Ratio
BT = Budget Turbulence
BT X EFR = Interaction between Budget Turbulence and Effectiveness Ratio

delivered to the public. This finding is consistent with previous tests.

The effect of budget turbulence on budget deviation moderated by the skills of the local government exhibits a coefficient value of -0.0003, t-statistic value of -7.5242, and probability value of 0. The results of this test prove that capacity of local governments can reduce the influence of budget turbulence on budget deviation. This finding shows that the skills of local governments that are implemented through effective public policies can reduce the influence of budget turbulence on budget deviations.

Public policies that are effectively implemented show that local governments can use their managerial skills to manage government resources. The aim is to improve the quality of services in order to achieve the welfare of a just and prosperous society. Hamid (2018) states that effectiveness is related to the degree of success of an operation in public sector organizations, so that an activity is said to be effective if the activity has a major influence on the ability to provide community services which are predetermined targets. Effectiveness focuses on outcome or outcomes and is interpreted as the relationship between the output of the accountability center and its objectives or targets (Yaqin et al., 2018). The findings of this study are consistent with Hamid's research findings (2018) showing that effectiveness can improve people's welfare, and the findings of Riswan and Affandi (2014), showing that effectiveness can increase capital expenditure for public services.

Sensitivity Test Categorized by Main Geographical Regions

This study uses descriptive statistics to briefly explain the research variables in the sensitivity test categorized by the primary geographical regions in Indonesia, namely, (1) western Indonesia, (2) central Indonesia, and (3) eastern Indonesia. Table 9 presents the results of the descriptive statistical test.

The mean value of budget deviation among western, central and eastern parts of Indonesia as shown in Table 9 indicates that the average failure of the local governments in controlling the budget which can cause surpluses or deficits is 10.99% in the local governments in western Indonesia, 12.67% among those in central Indonesia and 11.42% among local governments in eastern Indonesia. Furthermore, the mean value of budget turbulence indicates that the local governments are experiencing conditions of resource instability in developing their respective budgets, threatening the effectiveness of program implementation and activities to improve community welfare amounting by 15.78%, 86.88, and 27.79%. The average efficiency ratio in the western region of Indonesia, central Indonesia and eastern Indonesia

Table 9. Descriptive Statistics

Variables	Western Region			Central Region			Eastern Region		
	N	Mean	Std. Dev	N	Mean	Std. Dev	N	Mean	Std. Dev
BD	885	0.1099	0.1691	450	0.1269	0.1810	189	0.1142	0.1423
BT	885	0.1578	0.2260	450	0.8688	8.1316	189	0.2779	0.5458
ESR	885	91.5695	10.8887	450	90.5383	11.9158	189	91.1867	11.9357
EFR	885	96.5139	10.3379	450	94.4499	11.0658	189	93.7962	9.4843

Notes:
BD = Budget Deviation
BT = Budget Turbulence
ESR = Efficiency Ratio

is 91.56%, 90.53%, and 91.18%, respectively, indicating that the ability of local governments to manage their resources to produce a quality service to the community is 8.44%, 9.47% and 8.82%, respectively. Finally, the average effectiveness ratios in western Indonesia, central Indonesia, and eastern Indonesia of 96.51%, 94.44%, and 93.79%, respectively, indicates that the ability of local governments to manage their resources effectively to produce quality services to the community is sufficiently high. Meanwhile, standard budget deviation for the three geographical categories given an indication of the volatility of the research variable.

Main Effect Sensitivity Test

The results of the main effect sensitivity test on the effect of budget turbulence on the budget deviation for the western, central, and eastern parts of Indonesia are shown in table 10.

The sensitivity testing of the moderating effect as presented in table 10 shows the test results for western, central and eastern Indonesia having a statistical F and statistical F probability value that indicates this research model fulfills the goodness-of-fit assumption. The value of R^2 shows that budget deviation can be explained by variations in the budget turbulence at 16.89%, with the other 83.11% due to other factors for local governments in the western part of Indonesia, 26.43% with the other 73.57% due to other factors for local governments in central Indonesia, and 33% with the other 67% due to other factors for local governments in eastern Indonesia. Testing of the first hypothesis (H1) through the main effect, namely, the effect of budget turbulence on the budget deviation, shows that, for western Indonesia, the coefficient value is 0.3076, t-statistic is 4.3327, and probability is 0, proving that budget turbulence has a positive and significant effect on budget deviation for that re-

Table 10. Main Effect Test

Independent Variable	Least Square Method Dependent Variable: BD								
	Western Region			Central Region			Eastern Region		
	Coefficient	t-statistic	Prob.	Coefficient	t-statistic	Prob.	Coefficient	t-statistic	Prob.
BT	0.3076	4.3327	0.0000	0.0114	3.3216	0.0010	0.1498	4.3961	0.0000
Constant	0.0613	5.8708	0.0000	0.1170	16.5316	0.0000	0.0726	6.9956	0.0000
F-Statistic	179.5433			161.0147			92.1098		
Prob. (F-Statistic)	0.0000			0.0000			0.0000		
R^2	0.1689			0.2644			0.3300		
Durbin-Watson Statistic	1.7701			1.0804			1.3240		
N	885			450			189		

Note: Correction heteroscedasticity uses the Huber-White-Hinkley (HC1) heteroscedasticity Consistent Standard Error and Covariance

Notes:
BD = Budget Deviation
BT = Budget Turbulence

gion. For central Indonesia, the effect of budget turbulence on budget deviation generates a coefficient value of 0.0114, t-statistic value of 3.3216, and probability value of 0.0010, proving that budget turbulence has a positive and significant effect on the budget deviation for the central Indonesian category. For western Indonesia, the effect of budget turbulence on budget deviation generates a coefficient value of 0.1498, t -statistic value of 4.3961, and probability value of 0, proving that budget turbulence has a positive and significant effect on the budget deviation for the eastern Indonesia category. Thus, the results of this sensitivity test are consistent with the results of previous tests. The results of the sensitivity test of the effect of moderating the effect of budget turbulence on the budget deviation through the skills of local governments for western, central, and eastern Indonesia is shown in table 11.

Sensitivity testing of the moderating effect in table 12 shows the test results for the western, central and eastern parts of Indonesia, with a statistical F and statistical F probability value, indicating that this research model fulfills the goodness-of-fit assumption. Furthermore, the value of R^2 shows that, for western Indonesia, budget deviation can be explained by variations in budget turbulence, local government skills, and interactions between such skills 84.42%, while the other 15.58% is due to other factors. For central Indonesia, budget deviation can be explained by variations in budget turbulence, local government skills, and interactions between such skills at 97.67%, while the other 2.33%

Table 11. Moderating Effect Test

Independent Variable	Least Square Method Dependent Variable: BD								
	Western Region			Central Region			Eastern Region		
	Coefficient	t-statistic	Prob.	Coefficient	t-statistic	Prob.	Coefficient	t-statistic	Prob.
BT	1.1687	3.5256	0.0004	0.02995	47.5285	0.0000	0.3557	2.8761	0.0045
ESR	-0.0124	-9.6008	0.0000	-0.0131	-45.5369	0.0000	-0.0109	-9.5751	0.0000
BT X ESR	-0.0136	-3.4831	0.0005	-0.0005	-40.4129	0.0000	-0.0045	-2.9041	0.0000
Constant	1.2395	9.9757	0.0000	1.3147	49.6477	0.0000	1.1186	10.7079	0.0000
F-Statistic	1592.351			6236.466			1054.129		
Prob. (F-Statistic)	0.0000			0.0000			0.0000		
R^2	0.8443			0.9767			0.9447		
Adjusted R^2	0.8437			0.9765			0.9438		
Durbin-Watson Statistic	1.9099			1.9244			1.7168		
N	885			450			189		

Note: Correction heteroscedasticity uses the Huber-White-Hinkley (HC1) heteroscedasticity Consistent Standard Error and Covariance

Notes:
BD = Budget Deviation
BT = Budget Turbulence
ESR = Efficiency Ratio
BT X ESR = Interaction between Budget Turbulence and Efficiency Ratio

is due to other factors. For eastern Indonesia, budget deviation can be explained by variations in budget turbulence, local government skills, and interactions such skills at 94.47%, while the other 5.53% is due to other factors.

Testing of the moderation effect as presented in table 11 shows that the effect of budget turbulence on budget deviation, for western Indonesia, generates a coefficient value of 1.1687, t-statistic value of 3.5256, and probability value of 0.0004, thus proving that budget turbulence has a positive and significant effect on budget deviation that region. For central Indonesia, the effect of budget turbulence on budget deviation generates a coefficient value of 0.0299, t-statistic value of 47.5285, and probability value of 0, thus proving that budget turbulence has a positive and significant effect on budget deviation for that region. For eastern Indonesia, the effect of budget turbulence on budget deviation generates a coefficient value of 0.3557, t-statistic value of 2.8761, and probability value of 0, thus proving that budget turbulence has a positive and significant effect on budget deviation for that region. As such, the results of this sensitivity test are consistent with the results of previous tests.

Testing of the moderation effect as presented in Table 11 shows that, for western Indonesia, the effect of local government skills on budget deviation generates a coefficient value of -0.0124, t-statistic of -9.6008, and probability value of 0, proving that the skills of the local governments in that region have a negative and significant effect on budget deviation. For central Indonesia, the effect of local government skills on budget deviation generates a coefficient value of -0.0131, t-statistic value of -45.5369, and probability value of 0, thus proving that the skills of the regional government in that region have a negative and significant effect on budget deviation. For eastern Indonesia, the effect of local government skills on budget deviation generates a coefficient value of -0.0109, t-statistic value of -9.5751, and probability value of 0, proving that the skills of the local governments in that region have a negative and significant effect on budget deviation. Therefore, the results of this sensitivity test are consistent with the results of previous tests.

The second hypothesis testing (H2) on moderation effect shows that, for western Indonesia, coefficient value is at -0.0136, t-statistic is at -3.4831, and probability value is at 0.0005, proving that the skills of the local governments in that region have a negative and significant effect on the relationship between budget turbulence and budget deviation. For central Indonesia, the coefficient value is at -0.0005, t-statistic value is at -40.4128, and probability value is at 0.0000, proving that the skills of the local government have a negative and significant effect on the relationship between budget turbulence and budget deviation for the region. For eastern Indonesia, coefficient value is at -0.0046, t-statistic value is at -2.9041, and probability value is at 0.0000, proving that the skills of the local government have a negative and significant effect on the relationship between budget turbulence and budget deviation for the region. Therefore, the results of this sensitivity test are consistent with the results of previous tests.

Sensitivity Test of Moderating Effect through Effectiveness Ratio Categorized by Region

Result of sensitivity test of moderating effect through effectiveness ratio as a proxy for the skills of local governments categorized by main geographical regions of western, central, and eastern Indonesia can be found in table 12.

The statistical F value and the statistical F probability for the western, central and eastern Indonesian region category shown in table 12 indicates that this research model fulfills the goodness of fit assumption. Furthermore, the value of R^2 shows that the budget deviation can be explained by variations in budget turbulence, local government skills, and interactions between local government skills of 44.23% and the remaining 55.77% by other factors, especially for local governments in the western Indonesia region. The deviation budget can be explained by variations in budget turbulence, local government skills, and interactions between local government skills of 73.40% and the remaining 26.6% by other factors especially for central Indonesian region category. As for eastern Indonesia region category, the deviation budget can be explained by variations in budget turbulence, local government skills, and interactions between local government skills of 59.68% and the remaining 40.32% by other factors.

Testing of the moderation effect as presented in table 12 shows that the effect of budget turbulence on budget deviation, for eastern Indonesia, generates a coefficient value of 0.9480, t-statistic value of 1.8644, and probability value of 0.0626, thus proving that budget turbulence does not have a significant effect on budget deviation for that region. For central Indonesia, the effect of budget turbulence on budget deviation generates a coefficient value of 0.0246, t-statistic value of 18.3627, and probability value of 0, thus proving that budget turbulence has a positive and significant effect on budget deviation for that region. For eastern Indonesia, the effect of budget turbulence on budget deviation generates a coefficient value of 0.0234, t-statistic value of 0.1459, and probability value of 0.8841. The results of this test prove that budget turbulence does not have a significant effect on the budget deviation for the eastern Indonesia category. Thus, the results of this sensitivity test are consistent only for local governments in central Indonesia**.**

Table 12. Moderating Effect Test

Independent Variable	Least Square Method Dependent Variable: BD								
	Western Region			Central Region			Eastern Region		
	Coefficient	t-statistic	Prob.	Coefficient	t-statistic	Prob.	Coefficient	t-statistic	Prob.
BT	0.9480	1.8644	0.0626	0.0246	18.3627	0.0000	0.0234	0.1459	0.8841
EFR	-0.0086	-13.9143	0.0000	-0.0112	-18.7760	0.0000	-0.0091	-9.4375	0.0000
BT X EFR	-0.0096	-1.7508	0.0803	-0.0003	-9.6906	0.0000	0.0005	0.2500	0.8028
Constant	0.9295	14.5840	0.0000	1.1812	20.5243	0.0000	0.9485	9.9316	0.0000
F-Statistic	232.9503			410.3773			91.3106		
Prob. (F-Statistic)	0.0000			0.0000			0.0000		
R^2	0.4423			0.7340			0.5968		
Adjusted R^2	0.4404			0.7322			0.5903		
Durbin-Watson Statistic	1.9523			1.7053			1.7327		
N	885			450			189		

Note: Correction heteroskedasticity use Huber-White-Hinkley (HC1) heteroskedasticity Consistent Standard Error and Covariance

Testing of the moderating effect in Table 12 shows that, for western Indonesia, the influence of skills of the local governments on budget deviation shows a coefficient value of -0.0086, t-statistic of -13.9143, and probability value of 0, proving that the skills of local governments have a negative and significant effect on budget deviation. For central Indonesia, the effect of local government skills on budget deviation shows a coefficient value of -0.0112, t-statistic value of -18.7760, and probability value of 0, proving that the skills of local governments have a negative and significant effect on budget deviation in that region. For eastern Indonesia, the effect of local government skills on budget deviation shows a coefficient value of -0.0091, t-statistic value of -9.4375, and probability value of 0, thus proving that the skills of local governments have a negative and significant effect on budget deviation in that region. Thus, the results of this sensitivity test are consistent with the results of previous tests.

The testing of the second hypothesis (H2) through the moderating effect, namely, the effect of budget turbulence on budget deviation with the skill of the local government as moderator, shows, for western Indonesia, a coefficient value of -0.0136, t-statistic value of -3.4831, and probability value of 0.0005, thus proving that the skills of local governments have a negative and significant effect on the relationship between budget turbulence and budget deviation in that region. For central Indonesia, the effect of budget turbulence on budget deviation with the skills of the local government as moderator shows a coefficient value of -0.0005, t-statistic value of -40.4129, and probability value of 0, proving that the skills of local governments have a negative and significant effect on the relationship between budget turbulence and budget deviation in that region. For eastern Indonesia, the effect of budget turbulence on budget deviation with the skills of the local government as moderator shows a coefficient value of -0.0045, t-statistic value of -2.9041, and probability value of 0, proving that the skills of local governments have a negative and significant effect on the relationship between budget turbulence and budget deviation in that region. Therefore, the results of this sensitivity test are consistent with the results of previous tests.

CONCLUSION

This study is a modification of the development of previous research models. The main issue of this study are the processes relating to planning, control, and accountability in the management of local government budgets in Indonesia for the 2015-2017 period, which were not carried out efficiently and effectively and thus causing budget deviations. Budget deviations can be recognized through the existence of variance between budget and realization, in the form of surpluses or deficits. Budget variance signifies that a local government has failed to build superior public policies. A surplus proves that a local government suffers a lack of competence and discipline in compiling and realizing its budget. Meanwhile, a deficit proves that the local government in question experiences economic difficulties and inadequate budget control.

The findings of this study prove that budget turbulence has a positive and significant effect on budget deviation, and adequate capacity of the local government can reduce the effect of budget turbulence on budget deviation, both using efficiency and effectiveness ratios in measuring such government capacity. The findings of the sensitivity test using (1) the effectiveness ratio as a proxy for local government skills, and (2) testing by the main regions in Indonesia, namely western, central and eastern Indonesia, proves that the results are consistent with the main findings. Based on its findings, this study contributes theories, methodologies and policies.

The theory being contributed based on the findings of this study stipulates that the factors causing budget turbulence are (1) expenditure efficiency and increase in productive spending to support government program priorities and encourage efficient, innovative and sustainable financing while maintaining an investment climate. Through several of these alternatives, the local government can overcome resource instability that can threaten the effectiveness of the implementation of various programs, (2) the development of the micro and macro economic environment, (3) changes in government policies, such as fiscal and monetary policies, (4) income predictions not reaching targets, and (5) shopping calculations being less accurate. Factors (1) and (2) are inherent factors that are difficult to control by local governments due to economic turmoil. Meanwhile, factors (3) and (4) are internal factors related to the character of the local regional government that can be controlled in accordance with their understanding, ability, and quality in managing public policy.

This study can provide added value for the development of science, especially public sector accounting research using secondary data. The contribution of this study is through the main test analysis and sensitivity test using proxies and other regional categories to prove the consistency of the findings, and the use of limited e-views analysis tools.

Meanwhile, the contribution of this study's findings to government policy in Indonesia is the recommendation that the government should evaluate its strengths, weaknesses, opportunities, and threats through SWOT analysis to avoid or control the effects of budgetary turbulence on budget irregularities. The government should also evaluate variance between budget and realization, or if possible maintain a "balance scorecard", so that performance of local governments in Indonesia are not only be measured financially but also in non-financial terms and also provide rewards and punishment to local governments to encourage improvements in performance.

Finally, this study has several limitations, namely that the measurement of budget turbulence variables and budget deviation is still limited to public sector accounting research, particularly those relating to measurements using secondary data, and the results of this study can only be generalized to district governments/cities in Indonesia within the period of 2015-2017. Therefore, further research should be able to develop a proxy for measuring budget turbulence and budget deviation to improve public sector accounting research literature, especially when using secondary data. Researchers can use samples obtained from ministries and institutions for further research using variables in this study or modify the research model used herein in accordance with the context of the research phenomenon or issue.

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APPENDIX

Research Sample

Categorization by Geographical Region			Number Local Government	
Regions	**No.**	**Province**	**Districts**	**Cities**
Western Region	1.	Aceh	18	5
	2.	North Sumatera	25	8
	3.	West Sumatera	12	7
	4.	Riau	10	2
	5.	Riau Islands	5	2
	6.	Jambi	9	2
	7.	Bangka Belitung Islands	6	1
	8.	Bengkulu	9	1
	9.	South Sumatera	13	4
	10.	Lampung	13	2
	11.	Banten	4	4
	12.	West Java	18	9
	13.	Central Java	29	6
	14.	Yogyakarta	4	1
	15.	East Java	29	9
	16.	West Kalimantan	12	2
	17.	Central Kalimantan	13	1

Categorization by Geographical Region			Number Local Government	
Regions	**No.**	**Province**	**Districts**	**Cities**
Central Region	1.	North Kalimantan	4	1
	2.	South Kalimantan	11	2
	3.	East Kalimantan	7	3
	4.	Bali	8	1
	5.	East Nusa Tenggara	21	1
	6.	West Nusa Tenggara	8	2
	7.	Gorontalo	5	1
	8.	North Sulawesi	11	4
	9.	Central Sulawesi	12	1
	10.	West Sulawesi	6	0
	11.	South East Sulawesi	15	2
	12.	South Sulawesi	21	3
Northern Region	1.	Maluku	9	2
	2.	North Maluku	8	2
	3.	Papua	28	1
	4.	West Papua	12	1
Number Local Governments			**415**	**93**
Total Local Governments			**508**	
Total of Observation Sample (3 X 508)			**1.524**	

JURNAL

TATA KELOLA & AKUNTABILITAS KEUANGAN NEGARA

Volume 5, Number 1, Jan-Jun 2019, 21-35

e-ISSN 2549-452X

p-ISSN 2460-3937

TAX REFORM IN THE PERFORMANCE OF TAX OFFICERS AND ITS IMPLICATIONS ON TAX COMPLIANCE IN THE PERCEPTION OF TAX PAYERS?

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ABSTRACT

Many complaints submitted to tax authorities have an impact on taxpayer compliance in carrying out their obligations, while also creating opportunities for non-compliance in applicable tax regulations. This study aims to determine how much influence tax reforms have on the performance of tax service officers and its implications for taxpayer compliance according to taxpayer perceptions. The data collection instrument used in this study is a questionnaire administered to 372 corporate taxpayer respondents at the Pratama Kelapa Gading Tax Office using the convenience sampling method. The analytical tool used is the Structural Equation Model (SEM) using the LISREL (Linear Structural Relationship) program. The results of this study show that according to the taxpayers' perception, tax reform has a significant influence on tax service performance, tax service performance has a significant influence on taxpayer compliance and tax reform has a significant influence on tax compliance.

KEYWORDS:

Tax reform; tax service performance; taxpayer compliance

ARTICLE HISTORY:

Received at : 26 September 2018

Published at : 28 June 2019

INTRODUCTION

In the framework of realizing national development which aims at achieving a just and equitable welfare, large funding is needed, the main source of which are tax revenues that are the most important element in supporting the state budget revenue. The Law of the Republic of Indonesia number 11 of 2016 concerning tax amnesty states that the government pays considerable attention to realizing the national development plan. The government seeks to improve taxpayer compliance in carrying out their tax obligations.

One of the government's efforts to improve taxpayer compliance is by making the tax system more effective and efficient through improved taxation policies, tax administration systems and expanding tax bases so that tax revenues can be optimally carried out. The system is expected to make it more convenient for taxpayers to carry out their obligations. Vigryana, Mukhzam and Ruhana (2016) state that quality service for taxpayers (TP) has a significant effect on taxpayer satisfaction. According to Mangkunegara and Waris (2015) human resources are seen as an important element in the business development process; therefore, human resources are a very important investment in an organization.

Table 1 shows that the number of registered taxpayers does not reflect ideal conditions. According to the data, the total population of Indonesia that are employed and are registered as individual employee taxpayers is only 22,332,086 people, with a compliance rate ratio of 63.22%, when in fact the workforce in February 2018 reached 133.94 million people, as shown in table 2.

Table 1. Taxpayer Compliance Levels for 2015

Taxpayer	Registered TPs	TPs who must submit Annual Tax Returns	TPs who report their Annual Tax Returns	TPs who paid their taxes	Compliance Ratio
Corporate	2,472,632	1,184,816	676,405	375,569	57.09%
Non-employee individual	5,239,385	2,054,732	837,228	612,881	40.75%
Employee individual	22,332,086	14,920,292	9,431,934	181,537	63.22%
Total	30,044,103	18,159,840	10,945,567	1,169,987	

Source: Directorate General of Taxes (2016)

Table 2. Number of Small and Micro Industries in Indonesia

Type of Major Activity	February 2017	August 2017	February 2018	Changes in 1 year (Feb 2017-Feb 2018)	Changes in 1 Semester (Aug 2017-Feb 2018)
(1)	(2)	(3)	(4)	(5)	(7)
Working Age Population	150,59	192,08	193,55	2,96	1,47
Work Force	131,55	128,06	133,94	2,39	5,88
Employed	124,54	121.02	127,07	2,53	6,05
Unemployed	7,01	7,04	6,87	-0,14	-0,17

Source: Statistics Indonesia (2018)

In addition, according to Statistics Indonesia (BPS) data up to 2015, there were 531,351 small-scale companies operating in 2013, and 2,887,015 micro-companies in 2013, 283,022 small companies in 2015 and 3,385,851 micro-enterprises, as seen in table 3. This means that not all companies are registered as Corporate Taxpayers. Table 3 shows data of micro and small businesses in Indonesia from 2013-2015 obtained from BPS. It can be seen that the number of small businesses from 2013 decreased until 2015. However, micro businesses were actually increasing from 2013.

The number of corporate taxpayers paying taxes was 375,569. This number is very small compared to total of more than three million companies operating in Indonesia. Likewise, the number of Non-Employee and Employee Taxpayers paying taxes was 794,418, which is very small compared to the total number of more than 93 million Indonesians who work and have income.

Considering the low levels of compliance that resulted in the low achievement of tax revenues above, it is crucial for tax reforms to be carried out in Indonesia. Tax reforms can be implemented in several aspects, including human resources, IT and databases, business processes and tax regulations (Mardlo, 2018). A summary of tax non-compliance compiled by authors from various published references is presented in table 4.

The cases in table 4 place more emphasis on non-compliance of taxpayers and tax officials in carrying out tax obligations. If taxpayers and tax officials have high integrity and a good understanding of tax, they will be inclined to comply with tax regulations. lstighfarin (2018) mentioned other problems, such as the implementation of tax amnesty in the framework of tax reform that has not been implemented optimally. There is no standardization of information among tax authorities and the Tax Service

Table 3. Number of Small and Micro companies in Indonesia

Small			Micro		
2015	2014	2013	2015	2014	2013
283.022	284.501	531.351	3.385.851	3.220.563	2.887.015

Source: Directorate General of Taxes (2016)

Table 4. Taxpayers Non-compliance Cases

No.	Year	Non-Compliance Cases	Source
1.	2017	Former investigator of the Civil Service at the Directorate General of Taxes, Handang Soekarno, was sentenced to 10 years prison and fined Rp500 million, a subsidiary of 4 months prison. The sentence is lighter than the prosecution of the Corruption Eradication Commission (KPK), which was 15 years prison and a fine of Rp750 mil-	Puspitasari, 2017
2.	2016	The Directorate General of Taxes in 2016 detained 59 people due to tax arrears. Of	Sawitri, 2016b
3.	2016	Finance Minister Sri Mulyani Indrawati said the tax compliance of lawyers was still low based on data from the Indonesian Advocates Association (Peradi), which showed that there were 16,876 lawyers throughout Indonesia. However, only 1,976	Sawitri, 2016a

Office (KPP). There is still a lack of staff providing tax services as well as a lack of quality systems and intensive tax socialization.

The research questions of this study are whether based on the perception of taxpayers, tax reform has a direct effect on the performance of tax services? Based on the perception of taxpayers, does tax service performance have a direct effect on taxpayer compliance in carrying out their tax obligations? Based on the perception of taxpayers, does the tax reform indirectly affect taxpayers' compliance in carrying out their tax obligations?

This study uses the Goal-Setting Theory proposed by Locke (1968) as the grand theory. Goal-Setting Theory as a form of motivation theory, emphasizes the importance of the relationship between the goals set and the performance produced. The basic concept of this theory is that when someone is able to understand the goals of the organization, that understanding will affect his/her work behavior.

Goal-Setting Theory implies an individual's commitment to the goal. If an individual is committed to achieving those goals, then that commitment will affect his/her actions and affect the consequences of his/her performance. The achievement of the goals (objectives) that are set can be seen as the goals/level of performance that the individual wants to achieve. Overall, intention that is related to the set goals, provides a strong motivation in realizing its performance. Individuals must have the skills, goals and receive feedback to assess their performance. Achievement of the target (objectives) has an influence on employee behavior and performance in an organization (Locke & Latham in Lunenburg, 2011).

Tax Reform

Waluyo (2011) defines tax as an achievement that is imposed by one party, i.e. the employer (according to the norms he/she has set in general) without any compensation and which is solely used to cover expenses. Thus, the definition of tax implies the existence of power in its implementation; however, along with the technological development and progress, taxation must also undergo reform so that its implementation can run well. In addition, the many tax cases that have occurred show that reform is needed.

Bawazier (2011) states that tax reform must have clear targets and objectives and be carried out objectively. Tax reform must pay attention to aspects of justice, economic competitiveness within the country or with competing countries, smoothness and ease of implementation, also cost efficiency. According to Satriyo (2007) tax reform is a fundamental change in all aspects of taxation. The tax reform that is now being prioritized concerns the modernization of the mid-term tax administration of three to six years with the aim of achieving high level of voluntary compliance; great trust in tax administration; and high productivity of tax apparatus.

Research conducted by Criclivaia (2015) resulted in an analysis stating that tax reform can be done through fiscal legitimacy. This can be achieved by establishing clear, transparent and predictable regulations, especially in the legal and administrative aspects of the taxation system.

According to Devano and Rahayu (2006), the objectives of tax reform are:

1. to improve the quality of service to taxpayers as a source of funds to replenish the state treasury;
2. to suppress the occurrence of tax evasion;

3. to increase taxpayer compliance in implementing their tax obligations;
4. to apply the concept of good governance, the existence of transparency, responsibility, fairness, and accountability to improve the performance of tax agencies as well as the publication of the use and expenditure of tax funds;
5. to increase tax law enforcement, intensive supervision in the implementation of tax administration, both for tax authorities and taxpayers.

According to the Directorate General of Taxes, tax reform focuses on three main things, namely modernization of tax administration, tax policy reform, and tax intensification and extensification.

Tax Service Performance

Services according to Kotler (1967) in Rangkuti (2017) can be defined as a useful activity provided by one or several parties to other parties to satisfy their needs and desires that are essentially tangible and will not cause any ownership for those accepting it; performance is strongly related to the service provided. Heriansyah (2013) states that there is a relationship between employee performance and excellent service at the Loa Tebu Village tax office in the Tenggarong Subdistrict in Kutai Kartanegara Regency. Poor employee performance results in service that is not deemed satisfactory by the community. In addition, bureaucratic reform in public services is in line with Law Number 25 of 2009 concerning Public Services. In carrying out performance evaluations and in an effort to accelerate the quality improvement of public services, it is necessary to compile a rating of public service performance, as contained in Law No. 25 of 2009. Increasing service performance and bureaucratic professionalism is a requirement that cannot be postponed. Spekle and Verbeeten (2014) state that the organization's performance measurement system for the operational objectives of the organization is intended to measure the outputs and outcomes of the organization. Increasing transparency, good governance and clean government is also an important effort that immediate implementation. Performance evaluation must be carried out in an objective, transparent and accountable manner based on the guidelines for evaluating the performance of public service units. The performance evaluation is also intended to give appreciation to service units that have achieved the highest rank or have provided excellent services, namely services that are fast, precise, inexpensive, safe, fair and accountable. Appreciation given in the form of awards as a way of fostering state apparatus is a strategic step in improving public service quality. Giving appreciation aims to enhance motivation, improvement and innovation in service, as well as to conduct an assessment to obtain an objective description of the performance of the service unit.

Taxpayer Compliance

Tax compliance is a condition in which a taxpayer fulfills all tax obligations and carries out his/her tax rights (Muliari & Setiawan, 2011). Compliance in this study implies that taxpayers strive to comply with applicable tax laws, by either fulfilling their obligations or carrying out their tax rights. The criteria for being a compliant taxpayer are listed in the Finance Minister's Decree No. 74/PMK.03/2012.

The Effects of Tax Reform on Performance of Tax Services

The motivation theory proposed by Locke (1968) emphasizes the importance of the relationship between the goals set and the performance produced. The basic concept is an officer who is able to understand the objectives expected by the Directorate General of Taxes in tax reform, then the understanding will affect his/her working behavior.

Tax reform is one of the efforts carried out by the Directorate General of Taxes to foster public awareness about the responsibility of paying taxes and increasing taxpayer compliance. One of the objectives of tax reform is to improve the performance of tax services. The ineffectiveness of the taxation system in Indonesia in the tax administration system, government policies regarding taxation and tax extensification and intensification tend to cause low performance in tax services rendered.

The research conducted by Fitria (2016) shows that the taxation system has a positive effect on the performance of the employees in the KPP Pratama Surabaya Krembangan. On the other hand, Sari (2013) found that although tax reforms that have been implemented in the form of amendments to the PPN & PPnBM Law on state tax revenues, the tax targets have not been achieved. The first hypothesis proposed in this study is

H1 : Tax reform has a positive influence on tax service performance.

The Effect of Tax Service Performance on Taxpayer Compliance

Tax service performance is a form of service provided by the tax apparatus to help taxpayers carry out their tax obligations correctly. Improving tax service quality through tangible, empirical, responsiveness, reliability and assurance is expected to increase taxpayer compliance in carrying out their tax obligations (Zeithaml, Parasuraman, & Berry, 1990). Less effective tax service performance tends to be the cause of the low level of tax compliance. This is the basis of the assumption that tax service performance has an effect on tax compliance. Improved tax service performance is expected to help taxpayers to fulfill their tax obligations and increase taxpayers' satisfaction and compliance.

Research conducted by Bhuasiri et al. (2016) show that tax service performance facilitates the conditions, social influence, and credibility which significantly influences the tax payers to use the e-tax payment system. Hidayatulloh's research (2013) shows that tax service performance has a positive effect on tax compliance in KPP Pratama Bandung Cicadas. The second hypothesis in this study is

H2: Tax services performance has a positive influence on corporate taxpayer compliance.

The Effects of Tax Reform on Taxpayer Compliance

The Directorate General of Taxes, in an effort to increase state revenues, since 1984 has introduced tax reforms by launching a new system of estimating, calculating, paying and reporting taxes using self-assessment methods replacing the previous method in which the tax payable is determined directly by the government (official assessment). The lack of effectiveness of the Indonesian taxation system tends to be the cause of the low level of tax compliance. This is the basis of the assumption that tax reform has an effect on taxpayer compliance.

Research conducted by Agustiningsih and lsroah (2016) shows that tax reform has a positive effect on taxpayer compliance at KPP Pratama Yogyakarta. The research of Punarbhawa and Aryani (2013) shows that tax administration reform and an enhanced knowledge of taxation have a positive and significant effect on the level of compliance of Taxable Entrepreneurs in KPP Pratama West Denpasar.

Based on the theory and background of the problems raised, the third hypothesis that can be developed in the study is

H3: Tax reform has a positive influence on corporate taxpayer compliance.

RESEARCH METHODS

The research was carried out by distributing questionnaires at the KPP Pratama Kelapa Gading located in North Jakarta. This research was conducted in November 2017 to April 2018 because during this tax period, there were still many corporate taxpayers coming to the KPP Pratama Kelapa Gading for tax related activities. This study uses independent variables namely tax reform (X1), the intervening variable tax service performance (Y1), and the dependent variable taxpayer compliance (Y2). Each variable was measured using a 5-point Likert scale in which 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

Tax Reform (X1)

According to Satriyo (2007) tax reform is a fundamental change that is implemented in every aspect of taxation. According to the Directorate General of Taxes, tax reform focuses on three main issues, namely modernization of tax administration, tax policy reform, also tax intensification and extensification. This variable instrument consists of ten questions, using three dimensions of tax reform i.e. administration, regulation and supervision developed by Kartikaputri (2013) with the following explanation.

1. Organizational structure in the work system of KPP helps tax officers in carrying out their work (RPWP1);
2. The Account Representatives are helpful in providing service, supervision and consultation for taxpayers (RPWP2);
3. The sanctions given to taxpayers will increase taxpayer compliance (RPWP3);
4. Computerized and digital administrative systems makes it easier for taxpayers to carry out their tax obligations (RPWP4);
5. The use of sophisticated technology helps increase efficiency in service, supervision and inspection and makes the service relatively fast (RPWPS);
6. Service facilities that utilize information technology will make it easier for tax officers to process tax reports submitted by Taxpayers (RPWP6);
7. The employee code of ethics can motivate tax officers to improve their performance (RPWP7);
8. The tax officers implement a well-defined employee code of ethics (RPWP8);
9. The tax amnesty policy can improve tax compliance (RPWP9); and
10. Letters of warning, distress warrants, letters of seizure, and auctions can help improve taxpayer compliance (RPWP10).

Tax Service Performance (Y1)

Tax service performance is the result of the work of the tax apparatus both in terms of quantity and quality over a certain period of time measured using indicators of empathy, physical evidence, reliability, responsiveness and assurance. This variable instrument consists of eight questions developed from the research of Onu and Oats (2015).

1. Services provided by tax officers are satisfactory (KPPWP1);
2. Tax service facilities found in the KPP are sufficient and in good condition (KPPWP2);
3. Tax officers respond quickly to complaints and difficulties experienced by taxpayers (KPPWP3);
4. Tax officers provide information and

explanations that is clear and easily understood (KPPWP4);

5. The use of forms that are easy to understand and complete (KPPWP5);
6. Tax officers prioritize accuracy when recording data so as to minimize the occurrence of errors in recording taxpayer data (KPPWP6);
7. Tax officers seek to provide services as quickly as possible (KPPWP7); and
8. Tax officers always maintain the confidentiality of taxpayer data which in turn increases the taxpayers' trust towards the tax apparatus (KPPWP8).

Taxpayer Compliance (Y2)

Muliari and Setiawan (2011) define tax compliance as a condition in which taxpayers fulfill all their tax obligations and carry out their taxation rights. This variable instrument consists of seven question items developed from the research of Onu and Oats (2015).

1. Register as a taxpayer to get an NPWP (KWPWP1);
2. Always pay your taxes on time (KWPWP2);
3. Always calculate taxes that are payable correctly (KWPWP3);
4. Always pay for income tax shortages that occur before an inspection is carried out (KWPWP4);
5. Always fill out the SPT (Tax Report) correctly and completely in accordance with provisions of the laws and regulations (KWPWPS);
6. Always submit the SPT to the tax office on time, i.e. before the deadline for submitting the SPT (KWPWP6); and
7. Comply to paying fines/administrative sanctions if you are late in submitting the annual SPT (KWPWP7).

The population of this study is the corporate taxpayers registered at the KPP Pratama

Table 5. Operational Variables of Research

No	Variable	Dimension	Indicator	Number of item
1.	Tax Reform (X1)	Administration	High level of voluntary compliance	1,2,3
		Regulations	Great trust in tax administration	4,5,6
		Supervision	High productivity of taxation apparatus	7,8,9,10
2	Tax Service Performance (Y1)	Reliability	Tax officer provides good tax services	1,2
		Assurance	Information provided by the tax officers helps taxpayers understand their rights and obligations	3,4
		Responsiveness	The tax officers always pay attention to the taxpayers' objections to the tax imposed	5,6
		Tangible	Simple/efficient ways of paying taxes	7,8
3	Taxable Entrepreneurs (Y2)	Holder of NPWP	Obligation to own a NPWP (Tax ID Number)	1,2
		Calculate	Always calculates taxes correctly	3
		Pay	Always pays taxes on time	4
		Fill in form	Always fills in tax forms correctly	5
		Report	Reports SPT properly and correctly	6,7

***Source**: Kartikaputri (2013)*

Kelapa Gading, which is in the North Jakarta area comprising 5328 taxpayers. The study used the convenience sampling method, namely by approaching taxpayers who came to the KPP Pratama Kelapa Gading over the period August 2017 to April 2018, and asking taxpayers to complete a questionnaire. The data collected from the questionnaire was processed and analyzed to determine how the tax reforms affect tax service performance and the implications for corporate taxpayer compliance. The sample size in this study was 372 corporate taxpayers, which was determined using the Taro Yamane formula in Ferdinand (2014) to calculate the number of samples needed:

$$n = \frac{N}{1 + Nd^2}$$

Notes :
n = number of samples
N = population
d = specified precision or percentage

Sample calculation

$$n = \frac{5328}{1 + 5328(5\%)^2}$$

$$n = 372{,}06 \; rounded \; to \; 372$$

RESULT AND DISCUSSION

The demographics of respondents based on age and education level of respondents are presented in table 6 and table 7. The majority of respondents or 61.8% are in the productive age between 20-30 years. Whereas in terms of educational background, the majority of respondents were S1-graduated, in other words most of them had a bachelor's degree.

Meanwhile the demographics of respondents based on positions are divided into four categories, namely supervisors, managers, partners and others as in table 8. The majority of corporate taxpayers respondents, or 70.70%, are in other positions which could be in the position of owner or other top management.

Table 6. Profile of Respondents in terms of age

Age	Frequency	Percentage
<20	13	3.5%
21-30	230	61.8%
31-40	86	23.1%
41-50	31	8.3%
> 50	12	3.2%
Total	**372**	**100%**

Table 7. Profile of Respondents in terms of education

Education	**Frequency**	**Percentage**
SMA	124	33.3%
D3	56	15.1%
S1	187	50.3%
S2	5	1.3%
Total	**372**	**100%**

Table 8. Profile of Respondents in Terms of Position

Position	**Frequency**	**Precentage**
Supervisor	70	18.8%
Manager	25	6.7%
Partner	14	3.8%
Others	263	70.7%
Total	372	100%

Each variable was tested for validity and reliability. The validity test was carried out using the Factor Analysis model, taking into account the value of the Standardize Loading Factor (SLF) in the Anti Image and Extraction Values table in the Communalities table. Questions will be considered valid if the SLF and Extraction values are greater than 0.5 (Ghozali, 2013). The reliability test was calculated using the formula Variance Extract and Construct Reliability (Ghozali, 2013). Based on the results of the validity and reliability tests, the three variables were considered to be valid and reliable. Furthermore, with the overall suitability test of variables using the SEM LIRSREL 8.8 application (Joreskog & Sorbom, 1996), it can be seen that the constructs used to form the research model on the majority measurement fulfills criteria of the goodness of fit determined.

After determining the structural model with a proper goodness of fit test, the next step is to test the research hypotheses using the t-value test measurement model test. The value of the estimated causal relationship of the structural model tested is determined by the standard t-table value -1.96 or ≥1.96. The results of the suitability test and structural model using the t-value test are presented in the appendices.

Test results of the t-value measurement model are presented in a summary in table 9 which show that all the hypotheses proposed in this study were accepted. Table 9 shows that the tax reform variable has a significant effect on the tax service performance variable. This is indicated by the t-value which is greater than the t-table value. Thus, according to taxpayers registered at the KPP Pratama Kelapa Gading in North Jakarta, tax reform is a variable that should be taken into consideration and can affect the performance of tax service officers.

The results of this study, in line with those of the research carried out by Fitria (2016), show that each of the variables of organizational structure, procedures, strategy and culture have a positive influence on the performance of the KPP Pratama Krembangan Surabaya officers. A research conducted by Aryati and Putritanti (2016) showed that the modern tax administration system has a positive influence on individual taxpayer compliance.

The tax service performance variable with a t-value greater than the t-table value means that it has a significant effect on the taxpayer compliance variable. In other words, tax service performance is a variable that should be taken into consideration and can affect the compliance of taxpayers in the KPP Pratama Kelapa Gading in North Jakarta. These results are in line with the motivation theory proposed by Locke (1968) that asserts the importance of the relationship between goals and performance produced. The basic concept of this is that a tax officer should be able to understand the objectives expected by the Directorate General of Taxes, namely helping taxpayers who encounter obstacles when

Table 9. Hypothesis Testing Results

Hypothesis	Structural Path	t-value	Notes	Conclusion
H1	Tax Reform (X1) → Tax Service Performance (Y1)	8.26	Hypothesis accepted	Tax Reform has a significant effect on Tax Service Performance
H2	Tax Service Performance (Y1) → Taxpayer Compliance (Y2)	7.14	Hypothesis accepted	Tax Service Performance has a significant effect on Taxpayer Compliance
H3	Tax Reform (X1) → Taxpayer Compliance (Y2)	6.65	Hypothesis accepted	Tax service performance has a significant effect on Taxpayer Compliance

Source: Results Processed using Lisrel 2018 fulfilling their tax obligations and increasing the satisfaction of taxpayers as customers.

By providing satisfactory services and adequate tax service facilities, tax officers are expected to also be more responsive to the various complaints and difficulties experienced by taxpayers. Tax officers must be able to provide information and explanations which are clear and easily understood, prioritizing the accuracy of recording data in their work so as to minimize the occurrence of errors in recording taxpayer data. These matters result in an increase in tax officers' service performance that can increase taxpayers' compliance.

The results of the studies have not been able to provide conclusions that can be generalized. The results of Winerungan's (2013) study that show that the services of the tax officers do not affect the compliance of individual taxpayers registered at the KPP Pratama Manado and Bitung. While the results of Kartikaputri's research (2013) are in line with this study, namely that tax service performance has a very strong, direct and significant relationship and positive influence on taxpayer compliance. Another study by Sari and Rasmini (2017) states that the service quality of electronic taxation systems can increase the satisfaction of individual taxpayers at the KPP Pratama East Denpasar.

The tax reform variable has a significant effect on the Taxpayer Compliance variable, as indicated by the t-value which is greater than the t-table value. This means that tax reform is a variable that can positively influence taxpayer compliance in the KPP Pratama Kelapa Gading in North Jakarta. According to the Directorate General of Taxes (2016), the tax reform that has been carried out by the Directorate General of Taxes can help improve taxpayer compliance. The tax reforms have been carried out through, for example, the issuance of the tax amnesty policy, the Sunset Policy letters of reprimand, forced letters, seizures, auctions, and tax sanctions.

The results of this study, in line with the results of a study found by Taha et al. (2018), show that tax policy reforms can improve the effectiveness and efficiency of the tax collection systems, including changes in tax rates imposed on individual and corporate taxpayers to reduce the burden on taxpayers. A research conducted by Criclivaia (2015) shows that tax reforms in Moldova achieved some progress by reducing bureaucracy and simplifying administrative procedures.

CONCLUSION

Tax reform has a significant effect on tax service performance. Tax reform that includes revamping various fields including technology policy bureaucracy implemented by the Directorate General of Taxes can improve the tax service performance of tax officers.

Tax service performance has a significant effect on tax compliance, in the sense that good tax service performance carried out by tax officers can improve taxpayer compliance in carrying out their tax obligations. Tax officers who provide good services will be able to stimulate and increase the desire of taxpayers to carry out their tax obligations.

Tax reform has a significant effect on taxpayer compliance. The tax reforms carried out by the Directorate General of Taxes can increase taxpayer compliance in carrying out their tax obligations. Taxpayers will feel more comfortable with the tax reforms, giving rise to the desire to be obedient to the regulations when carrying out their tax obligations.

Some policy recommendations arising from this study are the need for a guarantee that the implementation of tax reforms will be carried out by all tax authorities to ensure the performance of tax services expected by corporate taxpayers, a reform in the implementation of control over information technology-based performance applied for taxpayers as well as tax officers. In addition, transparent information is also needed on sanctions or rewards for the performance of tax services carried out by tax officials, so that the public are informed and the tax officers can implement the reforms and improve their performance. There is a need for information on the performance assessment of the Tax Service Office and the officers carried out by external and independent parties. This information should be made available for taxpayers who need it. This will ensure them that the tax reforms are being well-implemented.

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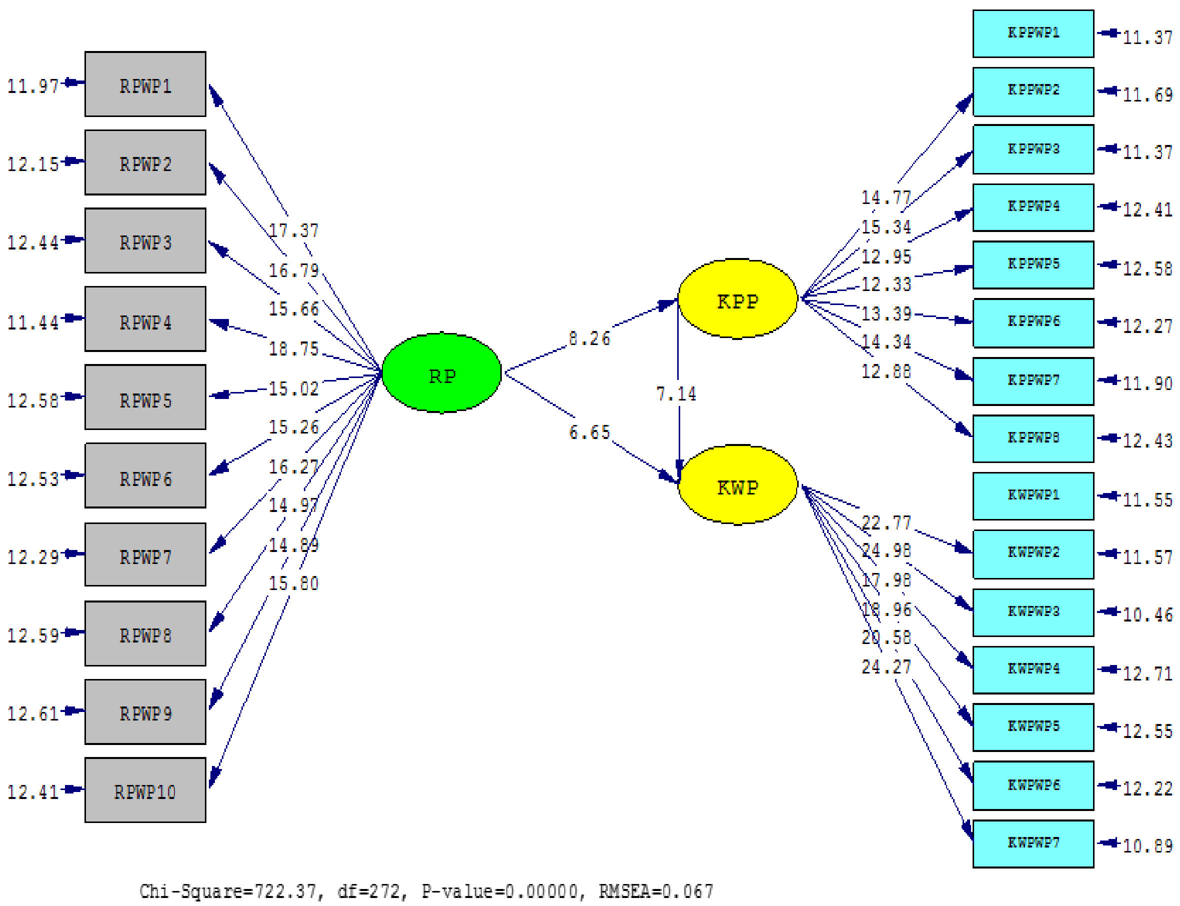
Appendices

Appendix 1. Overall Suitability Test Result

No	Indicators	Suitability Target Level	Estimated Result	Suitability Level
1.	Root Mean Square Error of Appoximation (RMSEA) P (Close Fit)	RMSEA ≤ 0,08 p ≥ 0,50	0.067	Marginal Fit
2.	Normal Fit Index (NFI)	NFI ≥ 0,90	0.96	Good Fit
3.	Non-Normal Fit Index (NNFI)	NNFI ≥ 0,90	0.98	Good Fit
4.	Comparaive Fit Index (CFI)	CFI ≥ 0,90	0.98	Good Fit
5.	Incremental Fit Index (IFI)	IFI ≥ 0,90	0.98	Good Fit
6.	Relative Fit Index (RFI)	RFI ≥ 0,90	0.96	Good Fit
7.	Goodnes of Fit Index (GFI	GFI ≥ 0,90	0.87	Bad Fit
8.	Adjusted Goodnes of Fit Index (AGFI)	AGFI ≥ 0,90	0.84	Bad Fit

Appendix 2. The results of the suitability test and structural model using the t-value test




technology policy
bureaucracy
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tax reform
tax service
performance
of tax officers
Improve
taxpayer
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TATA KELOLA & AKUNTABILITAS KEUANGAN NEGARA

Volume 5, Number 1, Jan-Jun 2019, 37-56

e-ISSN 2549-452X

p-ISSN 2460-3937

CAN THE INTERNAL CONTROL SYSTEM REDUCE FRAUDULENT USE OF VILLAGE FUNDS IN ADVERSE SELECTION CONDITION?

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ABSTRACT

In recent years, corruption cases at the village level have been in the public spotlight. This was evidenced through around 154 corruption cases at the village level involving 112 village heads, 32 village officials and 3 village heads. This corruption case resulted in the state experiencing a loss of 47.56 billion rupiah during 2015-2017. This case is carried out through various modes such as the practice of budget abuse, fictitious reports, fictitious activities/projects, and budget bubbles. These various modes occur because the internal control system is ineffective, so it provides an opportunity for actors to act opportunistically. The goal is to maximize his personal interests as agents rather than the interests of the community as principals. This opportunistic behavior is caused by the existence of information asymmetry. Information asymmetry creates conditions for obtaining information that is not aligned between the village head as an agent and the community as the principal, so that the emergence of adverse selection. This study aims to examine the effect of the internal control system on fraudulent use of village funds in agency conflict conditions through adverse selection. This study used the laboratory experiment method with the subject being Accounting Student at Pattimura University Ambon. The data analysis technique uses Two-Way ANOVA with a 2x2 factorial experimental design. The results of the study show that (1) adverse selection conditions affect the relationship between the internal control system and fraudulent use of village funds, (2) the internal control system that does not effectively affect fraudulent use of village funds under adverse selection is compared to no adverse selection (3) adverse selection conditions do not affect fraudulent use of village funds when the internal control system is effective, and (4) in the absence of adverse selection, an effective internal control system will reduce fraudulent use of village funds compared to ineffective internal control systems.

KEYWORDS:
Internal control system; adverse selection; village funds

ARTICLE HISTORY:
Received at : 31 March 2019
Published at : 28 June 2019

INTRODUCTION

One of the Indonesian government programs is to develop Indonesia from the periphery by strengthening regions and villages within the framework of a unitary state. To achieve this goal, the government needs a budget allocation of village funds. Village Funds is one form of implementation of Law Number 6 of 2014. Specifically, the legislation governing village funds is Government Regulation Number 8 of 2016 concerning the Second Amendment to Government Regulation Number 60 of 2014. Subsequently, the technical regulations for village funds are Minister of Finance Regulation Number 257/ PMK.07 /2015 concerning Procedures for Delays and/or Deductions of Balancing Funds for regions that do not meet Village Fund Allocation, Minister of Finance Regulation Number 49/PMK.07/2016 concerning Procedures for Allocation, Distribution, Use, Monitoring and Evaluation of Village Funds, as well as Minister of Finance Regulation Number 50/PMK.07/2017 concerning Management of Transfers to Regions and Village Funds as amended by PMK Number 112/PMK.07/2017. The two biggest sources of village income are the State Budget through the Village Fund and the Regional Expenditure Budget through the Village Funds Allocation. Table 1 is showing the budget allocation for village funds during 2015-2017.

Table 1. Village Fund Budget Allocation

Years	Budget Allocation (trillion rupiah)	Number of Villages
2015	20,76	74,093
2016	46,98	74,754
2017	60,00	74,954

Source: *ICW (2018)*

Table 1 shows that during 2015-2017, village funds allocations increased significantly. Increasing the allocation of village funds provides an opportunity for actors to misuse the village funds budget. According to the Corruption Eradication Commission (KPK), there are five potential corruption-prone processes, namely (1) the planning process (the existence of elite capture); (2) the implementation process (the potential for nepotism and non-transparency); (3) the process of procurement of goods and services the context of distribution and management of village funds (the existence of potential mark-up, engineering, and non-transparency); (4) the accountability process twice (the existence of potential fictitious reports); and (5) the monitoring and evaluation process (only formalities, administrative and late corruption detection) (ICW, 2018). Furthermore, ICW (2018) explained that corruption in the village, mainly concerning village budgets and is one of the fundamental problems. This problem occurs because of large budget management, but its implementation at the village level is not accompanied by the principles of transparency, participation, and accountability in village political, development and financial governance.

Table 2 shows that during 2015-2017 the number of corruption cases that occurred at the village level experienced a significant increase. The number of corruption cases that occurred in 2015 were 17 cases. Furthermore, in 2016 the number of corruption cases has increased, so that there are 41 cases. Finally, in 2017 this number experienced twice the increase in the number of corruption cases in 2016, which amounted

Tabel 2. Corruption Cases at the Village Level

Years	Number of Cases	Number of Involvement of Village Heads	Value of State Losses (trilion rupiah)
2015	17	15	9.12
2016	41	32	8.33
2017	96	65	30.11
Total	154	112	47.56

Source: *ICW (2018)*

to 96 cases. Thus, during the last three years (2015-2017), the total number of corruption cases in the village reached 154 cases. ICW (2018) explained that out of 154 total corruption cases, 127 cases were cases with the object of the village budget such as corruption in the village funds, allocation of village funds, village treasuries, and others. Meanwhile, 27 cases with village non-budget objects such as illegal levies were carried out by village officials. Based on table 2, the researcher concludes that the village head is an important actor involved in the abuse of village funds. During the last three years (2015-2017), the number of village head involvement in corruption cases continued to increase. In addition, corruption at the village level does not only involve the village head. However, this corruption involved 32 village officials and 3 people who were village head family (ICW, 2018). As a result, the country experienced total losses over the past three years amounting to 47.56 billion rupiah, equivalent to the basic allocation of APBN funds for 77 villages.

Cases of corruption at the village level have various modes such as, the practice of misuse of the budget as many as 51 cases, embezzlement of 32 cases, fictitious reports with 17 cases, fictitious activities/projects of 15 cases, and inflation of 14 cases (ICW, 2018). Furthermore, ICW (2018) explained that from the aspect of law enforcement, all law enforcement officials were known to have handled corruption cases that occurred in the village. The most cases of corruption were handled by the Republic of Indonesia National Police with a total of 81 cases. Meanwhile, the Indonesian Prosecutor's Office handled 72 cases, and 1 case involving the District Head of Pamekasan was handled by KPK. Factors that caused corruption at the village level were (1) the lack of community involvement in the village budget planning and supervision process; (2) the inadequacy of village institutions such as the Village Consultative Body (BPD); (3) limited village head competency; and (4) the high cost of political village head elections (ICW, 2018). In other words, the fundamental factor causing corruption at the village level is an ineffective internal control system.

The internal control system is a method used to protect or protect assets, produce reliable information, improve efficiency, and protect management policies (Krismadji, 2008). Meanwhile Boynton, Johnson and Kell (2002) explain that the internal control system is a process carried out by the board of directors, management, and other personnel in an entity that has been designed and compiled to convince users in achieving goals including (a) reliability in making financial reporting, (b) compliance with applicable laws and regulations, and (c) achieving operational effectiveness and efficiency. Furthermore, Boynton et al. (2002) explain that compliance with regulations in making accountability reports or fraud levels has a relationship with the implementation of an internal control system. An effective internal control system can affect the quality of transaction testing, detect fraud, and improve the effectiveness and efficiency of organizational activities. The more effective the internal control system is designed in accordance with organizational goals, the more effective the implementation is to detect fraud. Lane and O'Connell (2009) explain that implementing an effective internal control system through the main focus of the system can reduce fraud in the organization.

Tehupuring and Lingga (2017) explain that the higher the internal control system, the lower accounting fraud. Conversely, the lower the internal control system, the higher accounting fraud. Accounting fraud is an unethical behavior that is not only detrimental to the person. However, this action can be detrimental to society in general. Thoyibatun

(2009) explains that the suitability of the internal control system with organizational goals can reduce unethical behavior and accounting fraud tendencies. Accounting fraud, especially fraudulent use of village funds is motivated by opportunities. Wanjohi (2014) explains that fraud developed rapidly due to the availability of opportunities to commit fraud including, ineffective internal control systems. Wainaina (2011) explains that the evaluation of the functions of internal control in addition to prevention and detection of fraud must reflect the strength of the accounting environment fundamentally in an organization and the accuracy of financial and operational records. Organizations that are not focused on implementing an internal control system or an ineffective internal control system will lead to failure for the organization (Tunji, 2013; Hartman, 2014).

Ineffective internal control systems provide opportunities for actors to act opportunistically. This opportunist action is carried out by the actor with the aim of maximizing his personal interests as an agent rather than the interests of the community as principal. The conflict of interest between the actor as an agent and the community as principal is due to the existence of information asymmetry. Information asymmetry is a condition of unbalanced information between agents who are responsible for managing village organizations with stakeholders, namely, the community as principals. The existence of this information asymmetry causes the emergence of the term adverse selection. Scott (2015) explained that adverse selection occurs when the agent as the party managing the organization knows the prospects of the organization more than the principal. This adverse selection condition is then used by the agent to fulfill its interests compared to the interests of the principal. The motivation for this action is because of three basic human assumptions, namely humans are essentially selfish, humans have limited thinking about future perceptions, and humans always avoid risk (Eisenhardt, 1989).

The findings of Muna and Harris (2018); Lestari and Supadmi (2017); Randiza, Kamaliah and Anisma (2016); also Triasmara and Anna (2014) show that the internal control system can reduce accounting fraud tendencies, and information asymmetry can increase the tendency of accounting fraud. Meanwhile, Nurhayati and Muniarty (2018) also Frilia, Agusti and Savitri (2015) show that the internal control system cannot reduce the tendency of accounting fraud, and information asymmetry can increase the tendency for accounting fraud.

Setiawan, Adiputra and Yuniarta (2015) show that the internal control system had a negative and significant effect on fraud and information asymmetry had no significant effect on fraud. Furthermore, Gusmaini, Fauziati and Yulistia (2014) also Ahriati, Basuki and Widiastuti (2015) show that the internal control system and information assymetry had no significant effect on accounting fraud tendencies. Accounting fraud is caused by a lack of individual morality, so that behaving unethically to fulfill its interests. Puspasari and Suwardi (2012) explain that the interaction between individual morality and internal control can influence the tendency of accounting fraud. An effective internal control system can suppress the opportunistic behavior of the village head as an agent, both in the absence of adverse selection and in the condition of adverse selection. Agencies as the party managing the organization will see the internal control system as a system that can bind individual behavior not to commit fraud in embezzling village funds because it will be easily detected.

An effective internal control systems can be identified through (1) village officials do not carry out the role of multiple tasks; (2) transactions are recorded accurately; (3) there is authorization of proof of transactions bt the authorities; (4) periodic inspection of asset inventories; (5) accounting information systems are able to represent all transactions that occur without skipping other transactions; and (6) accountability and transparency in budget reporting and realization of village funds. Dewi and Ratnadi (2017) explain that if an organization's internal control system is weak, then the possibility of mistakes and fraud will increase. Conversely, if the internal control system of an organization is strong, then the possibility of an error or fraud can be minimized. Based on this description, the purpose of this study is to examine the effect of the internal control system on fraudulent use of village funds in adverse selection conditions.

Internal Control Systems, Adverse Selection, and Fraudulent Use of Village Funds

The Indonesian Institute of Accountants (IAI, 2012) defines accounting fraud as (1) misstatements arising from fraud in financial reporting, namely, misstatement or deliberate omission of amounts or disclosures in financial statements to deceive users of financial statements, (2) misstatements arising from improper treatment of assets (often referred to as misuse or embezzlement) relating to the theft of assets of an entity which results in financial statements not being presented in accordance with the General Applicable Accounting Principles (PABU) in Indonesia. Based on fraud triangle theory, the causes of fraud are pressure, opportunity, and rationalization. Pressure relates to the need or incentive to commit fraud, for example the need for lifestyle, economic needs, external pressure and others. Opportunities relate to situations or conditions that allow fraud to occur, for example an ineffective internal control system or abuse of authority. Rationalization relates to attitudes or ethics that allow individuals to commit fraud and rationalize fraudulent actions as reasonable actions. These three factors are determinants of individuals committing fraud (Tehupuring & Lingga, 2017).

Albrecht and Albrecht (2004) state that fraud occurs because individuals violate ethics, honesty, and responsibility. These three elements indicate that individuals have problems in applying moral values. Individuals who have good morals will be responsible for carrying out their duties and functions to achieve organizational goals. Conversely, individuals who have low moral values will use opportunities and rationalizations to commit fraud. Moreover, supported by the implementation of an ineffective internal control system, individuals will see this condition as an opportunity to commit fraud. Krismadji (2008) states that the internal control system is a method used to safeguard or protect assets, produce reliable information, improve efficiency and to protect management policies. Organizations must have an internal control system such as a control environment, risk management by management, accounting information and communication systems, and control and monitoring activities (Arens & Loebecke, 1996).

Boynton et al. (2002) explain that compliance with regulations in making accountability reports or fraud levels has a relationship with the implementation of an internal control system. Effective implementation of internal control systems will improve the quality of transaction testing, detect fraud, and achieve organizational effectiveness and efficiency. The internal control system designed in accordance with the organization's objectives will be effective if the system is easy to implement and the executor has good moral responsibility.

An ineffective internal control system will provide opportunities for individuals to behave opportunistically in increasing their prosperity. This opportunist action is carried out by individuals with the aim of maximizing their personal interests as agents rather than the interests of the community as principals. Conflicts of interest between individuals (village heads) as agents and the community as principals are due to information asymmetry. This information asymmetry occurs because of the imbalance of information between agents who are responsible for managing village organizations with stakeholders, namely, the community as principals. This conference causes the term adverse selection to appear. Scott (2015) explains that adverse selection occurs when the agent as the party managing the organization knows the prospects of the organization more than the principal. This adverse selection condition is then used by agents for opportunistic behavior in meeting their interests compared to the interests of principals. Finally, this behavior results in fraudulent use of village funds and reduces the welfare of a just and prosperous community.

Results from Muna and Harris (2018), also Randiza et al. (2016) prove that the internal control system can reduce accounting fraud tendency, and information asymmetry can increase the tendency of accounting fraud. Meanwhile, the findings of Nurhayati and Muniarty (2018) show that the internal control system cannot reduce the tendency of accounting fraud, and information asymmetry can increase the tendency of accounting fraud. Accounting fraud occurs showing that individuals have low morals, so behaving unethically to fulfill their interests. Puspasari and Suwardi (2012) explain that the interaction between individual morality and internal control can influence the tendency of accounting fraud. Based on the description, the hypothesis proposed is as follows.

H1 : Adverse selection conditions affect the relationship between the internal control system and fraudulent use of village funds.

Internal Control Systems Are Not Effective, Adverse Selection, and Fraudulent Use of Village Funds

Jensen and Meckling (1976) explain that agency conflict occurs because of the information asymmetry between agents and principals. Agencies as the party managing the organization have more comprehensive information than the principal. In the context of the village government, agents are village heads and their ranks. Meanwhile, the principal is a village community. The village head as an agent will use this comprehensive information as important information in maximizing his interests. Meanwhile, the community as principal expects the village head to act in accordance with the interests of the community, namely, improving the welfare of a just and prosperous society. Through village funds, the village head is responsible for increasing village prosperity. Village funds are funds sourced from the State Expenditures Budget allocated to villages and transferred through the District/City Regional Expenditure Budget with the aim of carrying out development and empowerment of village communities. The specific objectives are to improve public services in the village, alleviate poverty, promote the village economy, overcome inter-village development gaps, and strengthen village communities as the subject of development (Ministry of Finance, 2018).

The responsibility of the village head to improve community welfare is often not done well. This can occur because of pressure, opportunity, and rationalization. These three factors are the motives of the village head to commit fraud in the use of village funds. The need or incentive to commit fraud, for example lifestyle needs, economic needs, the presence of external pressure are conceptualized as pressure. Situations or conditions that allow fraud to occur, such as ineffective internal control systems or abuse of authority are conceptualized as opportunities, and attitudes or ethics that allow individuals to commit fraud and rationalize fraudulent actions as reasonable actions are conceptualized as rationalization. These three motives when not supported by an effective internal control system will result in fraudulent use of village funds. An ineffective internal control system will provide opportunities for individuals to behave opportunistically in increasing their prosperity. This condition can occur because information about village organizations is better known by the village head than by the village community, so that when the ineffective internal control system is supported by ownership of more comprehensive information from the village head resulting in fraudulent use of village funds.

H2 : The internal control system that is not effective in causing fraud in the use of village funds under conditions is adverse selection compared to no adverse selection

Effective Internal Control Systems, Adverse Selection, and Fraudulent Use of Village Funds

In the Fraud Triangle Theory, individuals commit fraud caused by three important factors, namely, pressure, opportunity, and rationalization. Pressure involves an individual situation that creates more benefits such as gaining clarity in the form of bribery and can arise from work problems and unrealistic performance targets; the opportunity to commit fraud is possible if individuals have access to assets and information that triggers individuals to commit fraud; and rationalization involves individuals to align their behavior with ideas that are generally accepted through politeness and trust (Tehupuring & Lingga, 2017). According to Ruankaew (2013), these three factors are the cause of individuals cheating. Therefore, fraud can occur when there are three elements.

Another important motivation that influences individuals to commit fraud is because of the agency conflict proposed by Jensen and Meckling (1976). Agency conflicts occur in village organizations because the village head as an agent has more information regarding the performance of village organizations than village communities as principals. As a result, this information was used as the village head as an opportunity to fulfill his interests, namely, increasing his welfare, thereby reducing the welfare of the people who were just and prosperous. To reduce the occurrence of these conditions, it is necessary to implement an effective internal control system. When the internal control system is effectively implemented, the village head who has more information related to the performance of the village organization or the information is known by the community does not affect the village head to commit fraudulent use of village funds.

The important reason is an effective internal control system that has been designed in accordance with the organization's objectives and effectively implemented, including (1) village officials do not perform the role of multiple tasks; (2) transactions are recorded accurately; (3) there is authorization to proof of transactions by parties authority; (4) periodic inspection of asset inventories; (5) accounting information systems capable of representing all transactions that occur without missing other transactions; and (6) accountability and transparency in budget reporting and realization of village funds will close the opportunity for village heads to act opportunistically in fraudulent use of village funds. Lane and O’Connell (2009) explain that implementing an effective internal control system through the main focus of the system can reduce fraud in the organization. Based on the description, the research hypothesis is as follows.

H3 : The adverse selection condition does not affect fraudulent use of village funds when the internal control system is effective

Internal Control System, No Adverse Selection, and Fraudulent Use of Village Funds

Krismadji (2008) explains that the internal control system is a method used to protect or protect assets, produce reliable information, improve efficiency and protect management policies. Meanwhile, Boynton et al. (2002) explain that the internal control system is a process carried out by the board of directors, management, and other personnel in an entity that has been designed and compiled to convince users in achieving objectives including reliability in making financial reporting, compliance with applicable laws and regulations, and achieving operational effectiveness and efficiency. The effectiveness and efficiency of organizational activities, the quality of transaction testing, and fraud detection can be reduced when the internal control system is implemented effectively.

Lane and O'Connell (2009) explain that implementing an effective internal control system through the main focus of the system can reduce fraud in the organization. An effective internal control system will reduce fraud committed by the village head when information related to the performance of village organizations is known by the village community. Although the village head has the authority to carry out village government activities, and has the potential to use his authority for personal interests, but if supported by an effective internal control system, it will reduce the actions of the village head to abuse his authority. Based on the description, the research hypothesis is as follows.

H4 : In conditions where there is no adverse selection, an effective internal control system will reduce fraudulent use of village funds compared to the ineffective internal control system

RESEARCH METHODS

Experimental Method and Research Design

This study uses an experimental method to explain the phenomena that occur. Nahartyo (2013) states that the experimental method is research design to investigate a phenomenon by manipulating a condition or condition through a particular procedure and then observing the results of the engineering and interpreting it. This section of research includes manipulation of the independent variables and observations of the effects of these variables on the dependent variable (Campbell & Stanley, 1966). The researcher manipulated the treatment through the case of the tender project for the construction of bridges in a village with the condition that the internal control system was effective versus ineffective, and there was an adverse selection versus no adverse selection.

The type of experiment used in this study is laboratory experiments. Nahartyo (2013) states that in a laboratory experiment, researchers manipulate the independent variables and control other variables that have the potential to influence the dependent variable but are not relevant to the research objectives. The laboratory experiment method is organized in an artificial environment where control and manipulation are given to prove a causal relationship between the variables studied (Nahartyo, 2012). The artificial environment was carried out by researchers by choosing the subject of the University of Pattimura Ambon (UNPATTY) accounting student who was given an engineering role as the village head. To find out the success of the role of the subject as the village head, the researcher checks the manipulation. Therefore, researchers will only use subject data that has passed the manipulation check. The aim is to improve the accuracy and quality of research results.

The important reason for researchers to use student subjects in laboratory experimental research rather than village heads is to eliminate bias such as psychological pressure because the organizational environment and position in the village government structure have a tendency not to respond to the actual conditions. This can happen because this research is related to ethics, morals, and the responsibility of the village head which is quite sensitive about fraudulent use of village funds. Therefore, laboratory experimental methods are more suitable in explaining the phenomena that occur and can reduce the good bias, bias due to pressure or bias because the variables outside the research model.

The researcher used the 2x2 factorial ANOVA experimental design to examine the effect of the internal control system on fraudulent use of village funds in adverse selection conditions. Puspasari and Suwardi (2012) have examined the effect of individual morality and internal control on the tendency of accounting fraud: experimental studies in the context of local government. Tehupuring and Lingga (2017) tested the internal control system as a predictor of accounting fraud in local government. Furthermore, Narsa and Supriyadi (2017) examined the role of the company's code of ethics in mitigating managerial escalation behavior framed agency theory. Therefore, the researcher adapted and modified the scenario or experimental module according to the context of this study by referring to the three studies. Furthermore, the researcher conducted a discussion on the validity of the research module with several lecturers who were relevant to the topic of this research. Nahartyo and Utami (2015) stated that this discussion was important to determine validity, experimental procedures, and case material with the aim of obtaining perfection of experimental design. Table 3 shows that researchers divided subjects into four groups. The aim is to observe the tendency for fraud to use village funds. Group 1: effective internal control system with adverse selection conditions; Group 2: the internal control system is not effective with adverse selection conditions; Group 3: the internal control system is ineffective with no adverse selection conditions; and Group 4: the internal control system is ineffective with no adverse selection conditions.

Operational Definitions and Variable Measurements

Table 3. Factorial 2x2 ANOVA Experiment Design

Internal Control System	Adverse Selection	
	YES	NO
Effective	Group 1	Group 3
Ineffective	Group 2	Group 4

This study uses independent variables and the dependent variable in examining the effect of the internal control system on fraudulent use of village funds in adverse selection conditions. The independent variable in this study is the internal control system (effective and ineffective) and adverse selection (existing and non-existent). Meanwhile, the dependent variable is fraudulent use of village funds. The following is an explanation of operational definitions and measurement of research variables.

The internal control system is a system consisting of various elements and is not limited to accounting and finance, but includes budget control, standard costs, employee training programs and so on (Tehupuring & Lingga, 2017). The measurement of the internal control system uses two levels, namely, the level of internal control is effective and ineffective. The following is a brief explanation of the level of effective and ineffective internal control systems.

The level of the internal control system effectively occurs when the village government has implemented rules regarding behavior and prioritizes disciplinary action on irregularities or violations of policies and procedures. Every transaction is always recorded on time, the transaction authorization and supporting evidence are always carefully considered. Supervision and physical inspection are always carried out regularly, there are no employees who work concurrently, and evaluation of operational activities to assess the degree of asset security is always carried out periodically. Finally, the Village Consultative Body (BPD) has effectively overseen the implementation of village governance in ensuring compliance with policies in accordance with applicable procedures.

The level of the internal control system is ineffective when the village government has implemented rules regarding behavior and prioritizes disciplinary action on irregularities or violations of policies and procedures. However, the implementation of these rules has not been effective. The transaction date is often not in accordance with the transaction that should have occurred. In addition, often the authorization and supporting evidence are not in accordance with applicable regulations. Supervision and physical inspection are only carried out occasionally, there are some employees who are concurrently assigned, and evaluation of operational activities to assess the degree of asset security is not always done. The Village Consultative Body (BPD) is less effective in overseeing the implementation of village governance in ensuring compliance with policies in accordance with applicable procedures.

Adverse selection is a condition that occurs when the agent as the party managing the organization knows the prospects of the organization better than the principal (Scott, 2015). Agents in this study are village heads and principals are village communities. As a result, information asymmetry emerged between the village head and the community, so the village head benefited from this information and neglected the welfare of the village community. The measurement of adverse selection uses two conditions, namely, conditions are adverse selection and there is no adverse selection. The brief explanation of the condition of adverse selection and no adverse selection are:

1. An adverse selection occurs when information about poor performance is only known by budget users (village head) and is not known by other parties outside the organization.
2. No adverse selection conditions occur when information about poor performance is widely known by outsiders, especially the village community.

The fraudulent use of village funds is the act of the village head using village funds to fulfill his interests. To measure fraudulent use of village funds, the subject is given a scenario or case of tender for a bridge construction project. The form of the subject's decision as the village head to approve or disagree with the offer of his old friend's company to win the tender for the bridge construction project using 10 points Likert scale. The scale is divided at the midpoint, that is, between 5 and 6. Subjects who choose the Likert 1-5 scale indicate that the subject decides not to accept the offer of his old friend's company. That is, the more the subject decides to choose scale 1 shows that the subject is more certain not to approve the offer of the old friend company to win the tender for the bridge construction project. Conversely, the subject who chose 1-6 scale indicated that the subject decided to accept the offer of his old friend's company. That is, the more the subject decides to choose a scale of 10 indicating that the subject is more certain to approve the offer of the old friend's company to win the tender for the bridge construction project.

Experimental Procedure

This laboratory experiment research is carried out through a series of procedures that will be carried out by the subject. Subjects are given assignments through the division of experimental modules but are not allowed to work before all subjects receive the experimental module. After all the subjects received the experimental module, the researcher gave a brief briefing on the assignment to be given to the subject.

In the experimental module, subjects generally act as village heads in a district. The subject is given information that one of the village work programs is to build bridges and will go through a tender process. One of the tender companies was an old friend of the village head and he promised that if the company won the tender, it would be given a 25% discount from the project nominal to you as the village head and the party who helped his victory. In total there are four groups, each of which will receive an experimental module that varies according to the treatment given.

Subjects for Group 1 will be given an experimental module by treating the effective internal control system with adverse selection conditions; Group 2 by treating the ineffective internal control system with adverse selection conditions; Group 3 with an ineffective internal control system treatment with no adverse selection conditions; and Group 4 by treating the internal control system ineffectively with no adverse selection conditions.

At the end of the assignment, subjects were asked to act as village heads who had to make a decision to accept or reject the offer of old friends through the response of subjects on a scale of 1-10. After that, the subject completes the procedure for manipulating checks through two questions. The first question about the effectiveness of the internal control system is through employees who double the task or not depending on the treatment received by the subject, and the second question about the responsibility of the subject as the party conducting the audit or as a user of the village budget.

Research Subject

This research was conducted at Pattimura University Ambon by using laboratory experimental methods. This laboratory experiment method is carried out through subjects who act as village heads to reduce response bias. This subject is the third person used to reduce bias because the subject cannot show the actual response when faced with sensitive issues. The scenario in this experimental module uses the context of the third person such as the research of Rest (1986), Arnold and Ponemon (1991), Bernardi and Guotil (2008), also Liyanarachi and Newdick (2009) for ethical studies.

The researcher chose accounting students at Pattimura University at Ambon with several main reasons, namely (1) accounting students were equipped with a comprehensive understanding of ethical issues. For this reason, accounting students must have passed the business and professional ethics courses and auditing; (2) Pattimura University accounting students are still rarely used as subjects in experimental research, so as to improve the quality of student responses compared to students who have often been used as subjects in experimental research; and (3) the topics studied relate to issues of ethics, morals, and sensitive responsibilities if done directly to the village head, so that accounting students are more suitable to be subjected to obtaining the actual response without psychological pressure.

This study used 80 subjects divided into four groups. However, this study only obtained 51 subjects who had passed the manipulation check. The 51 subjects consisted of four groups. Group 1 is 16 subjects; group 2 is 12 subjects; group 3 is 10 subjects; and group 4 numbered 13 subjects. Nahartyo (2012) states that the total subject for each group is at least 10 subjects. Therefore, this study fulfilled the requirements for the minimum number of subjects in one group. Manipulation checks were carried out with the aim of increasing the accuracy and quality of the data on the subject's response because the subject had succeeded in receiving the treatment of the condition of the role of the village head given by the researcher.

Data Analysis Technique

This study uses Analysis of Variances (ANOVA) to test the research hypothesis. The use of ANOVA requires researchers to test several assumptions namely normality and homogeneity. The normality test was carried out through a one-sample test of Kolmogorov Smirnov with provisions, namely, if sig. > 0.05, then the residual is normally distributed. Meanwhile, the homogeneity test uses Levene's test with the provision that, if sig. > 0.05, then the residual is homogeneous. After this research model fulfills both assumptions, the researcher conducted a two-way ANOVA test and post-hoc test using a tukey test to determine the significant difference in group averages. Thus, the researcher can conclude the average comparison of each group and answer the research hypothesis (Ghozali, 2006).

RESULTS AND DISCUSSION

This study uses two manipulation check questions for all scenarios given to the subject. The results of the subject's response to the two manipulation check questions were used by the researcher to determine the seriousness of the subject in the experiment. That is, if the subject responds to a question by choosing the right option, the subject has understood his role as the village head, thereby reducing the bias of the subject's decision in responding to this research question. Therefore, the subject whose data has passed the manipulation check will be used to test the research hypothesis. The results of the manipulation check can be seen in table 4.

Table 4. Manipulation Check Results

Group Research	Number of Subjects	Subjects Failed to Answer Questions	Final Subject
Group 1	20	4	16
Group 2	20	8	12
Group 3	20	10	10
Group 4	20	7	13

Table 4 shows that this study divided subjects into four groups. The four groups were given different treatments with a total of 80 groups with 20 subjects each. However, the results of the manipulation check show that group 1 only passed a manipulation check totaling 16 subjects. Meanwhile, 4 subjects did not pass the manipulation check. Group 2 only passes the manipulation check for 12 subjects. Meanwhile, 8 subjects did not pass the manipulation check. Group 3 only passed the manipulation check for 10 subjects and 10 subjects did not pass the manipulation check. Group 4 only passed the manipulation check totaling 13 subjects and did not pass manipulation checks totaling 7 subjects. Based on the description, then the subject in group 1 has the most final subject. Meanwhile, subjects in group 3 who had the least final subject.

Table 5 showing the descriptive statistics of the subjects used in this study. The researcher conducted a randomization test to find out the distribution of each subject evenly in each group. Based on the results of the randomization test, the researchers concluded that the gender of the subject of this study had a test value F = 0.261, sig. 0.611; and age has a test value F = 1,145, sig. 0.290. Thus, there were no significant differences between male and female treatment groups, as well as treatment groups aged 18-20 and ages 21-23. Therefore, the research subjects were evenly distributed and there were no confounding variables in this research model.

The assumption that must be fulfilled before carrying out the ANOVA test is the assumption of normality and homogeneity. The results of testing for normality using one-sample Kolmogorov Smirnov show the value of sig. 0.329>0.05. The results of this normality test prove that the research model has a normally distributed residual, so this research model has met the assumptions of normality. Next, the researcher conducted a homogeneity test through Levene's test. The results of testing homogeneity through leven's test show the value of sig. 0.077>0.05. The results of this homogeneity test prove that the research model has a residual variance that is homogeneous, so that this research model has met the assumption of homogeneity.

This study used a 2x2 factorial ANOVA test, descriptive response decision statistical test, and post-hoc test through the Tukey test to test the research hypothesis. Table 6 showing the results of the 2x2 factorial ANOVA test.

Testing the first hypothesis (H1), namely, adverse selection conditions affect the relationship between the internal control system

Table 5. Subject Descriptive Statistics

Variable	Treatment Group	Category	N	Percentage	Total
Gender	Group 1	Male	7	44%	Male = (43%) Female = (57%)
		Female	9	56%	
	Group 2	Male	5	42%	
		Female	7	58%	
	Group 3	Male	4	40%	
		Female	6	60%	
	Group 4	Male	6	46%	
		Female	7	54%	
Age	Group 1	18-20	7	44%	18-20 year = (52%) 21-23 year = (48%)
		21-23	9	56%	
	Group 2	18-20	5	42%	
		21-23	7	58%	
	Group 3	18-20	6	60%	
		21-23	4	40%	
	Group 4	18-20	8	62%	
		21-23	5	38%	

Table 6. Factorial 2X2 ANOVA Test Results

Source	Df	Mean Square	F	Sig.
Corrected Model	3	40.758	6.885	0.001***
Intercept	1	1891.672	319.545	0.000***
SPI	1	27.251	4.603	0.037**
ADS	1	24.856	4.199	0.046**
SPI X ADS	1	70.123	11.845	0.001***
Error	47	5.920		
Total	51			
Corrected Total	50			

R^2 = 0.305
Adjusted R^2 = 0.261
Notes: *** significance at 1%; ** significance at 5%

and fraudulent use of village funds. Based on table 8, the test results show that the interaction between the internal control system and adverse selection has a value of F = 11,845, and sig. 0.001 at 1% significance level. The findings of this study indicate that the strength of the influence of these interactions proves the existence of interdependencies between the internal control system and adverse selection. Thus, the first hypothesis (H1) is supported.

Changes in adverse selection conditions (adverse selection and no adverse selection) will affect changes in agent behavior in committing fraudulent use of village funds depending on the effective or ineffective internal control system. Tehupuring and Lingga (2017) explain that the higher the internal control system, the lower accounting fraud. Conversely, the lower the internal control system, the higher accounting fraud. An ineffective internal control system provides an opportunity for the village head as an agent to act opportunistically. This opportunist action is carried out by the agent with the aim of maximizing his personal interests as agents rather than the interests of the community as principals.

The conflict of interest between the village head as an agent and the community as principal is due to the existence of information asymmetry. Information asymmetry is a condition of unbalanced information between agents who are responsible for managing village organizations with stakeholders, namely, the community as principals. The existence of this information asymmetry causes the emergence of the term adverse selection. Scott (2015) explained that adverse selection occurs when the agent as the party managing the organization knows the prospects of the organization more than the principal. This adverse selection condition is then used by the agent to fulfill its interests compared to the interests of the principal. The motivation for this action is because of three basic human assumptions (Eisenhardt, 1989).

To test hypotheses 2, 3, and 4, the researchers used the descriptive statistics of decision response test and the Tukey test. Table 7 shows the results of testing the descriptive statistics of decision response test and table 8 shows the results of post-hoc tests through the Tukey test. The second hypothesis testing (H2), namely, that the internal control system that is not effective in in-

Table 7. Descriptive Statistics of Decision Response

Internal Control System	Adverse Selection		Total
	YES	NO	
Effective	Group 1 (N=16) (Mean=6.43) (Std.=2.27)	Group 3 (N=10) (Mean=7.40) (Std.=1.89)	(N=26) (Mean=6.80) (Std.=2.15)
Ineffective	Group 2 (N=12) (Mean=7.33) (Std.=2.17)	Group 4 (N=13) (Mean=3.53) (Std.=3.20)	(N=25) (Mean=5.36) (Std.=3.27)
Total	(N=28) (Mean=6.82) (Std.=2.17)	(N=23) (Mean=5.21) (Std.=3.30)	(N=51) (Mean=6.09) (Std.=2.83)

fluencing fraudulent use of village funds under conditions is adverse selection compared to no adverse selection. Based on table 8, the test results show that the internal control system has a value of F = 4,603, and sig. 0.037 at the significance level of 5%. Furthermore, adverse selection has a value of F = 4.199, and sig. 0.046. The findings of this study prove that the internal control system and adverse selection have an effect on fraudulent use of village funds. Furthermore, to test the second hypothesis (H2), the researcher compares group 2 and 4. The results of the comparison of the two groups show that the mean difference is 3.7949, and sig. 0.002 at the 1% significance level. The mean value of the internal control system that is ineffective in the condition that there is adverse selection is higher than the mean value in the absence of adverse selection. The findings of this study prove that the internal control system that is not effective in influencing fraud in the use of village funds under conditions there is adverse selection compared to no adverse selection. Thus, the second hypothesis (H2) is supported.

Table 8. Tukey Test Result

Group	Mean Difference (I-J)	Standard Error	Sig.
2 and 4	3.7949	0.97401	0.002***
3 and 1	0.9625	0.98081	0.761
3 and 4	3.8615	1.02341	0.002***

Implementation of village head responsibilities to improve the welfare of village communities is often not done effectively. The reason is because the village head is often influenced by the presence of pressure, opportunity, and rationalization. These three factors are important elements of village head opportunistic behavior to commit fraudulent use of village funds. Needs or incentives to commit fraud, such as lifestyle needs, economic needs, external pressure. Situations or conditions that allow fraud to occur, such as ineffective internal control systems or abuse of authority occur because of opportunities, and attitudes or ethics that allow individuals to commit fraud and rationalize fraudulent acts as reasonable actions are used as a rationale for fraud. The village head as an agent will take advantage of opportunities in the form of ownership of information about the prospect of an organization with an ineffective internal control system to commit fraudulent use of village funds. Tehupuring and Lingga (2017) explain that the higher the internal control system, the lower accounting fraud. Conversely, the lower the internal control system, the higher accounting fraud.

Testing the third hypothesis (H3), namely, the adverse selection condition does not affect fraudulent use of village funds when the internal control system is effective. Based on table 8, the test results show that the internal control system has a value of F = 4,603, and sig. 0.037 at the significance level of 5%. Furthermore, adverse selection has a value of F = 4.199, and sig. 0.046. The findings of this study prove that the internal control system and adverse selection have an effect on fraudulent use of village funds. Next, to test the third hypothesis (H3), the researcher compares group 3 and 1. The results of the comparison between the two groups show that the mean difference is 0.9625 and sig. 0.761. The mean effective internal control system under conditions of no adverse selection is higher than the mean value in the condition of adverse selection. However, it is not significant. The findings of this study prove that adverse selection conditions (existing and non-existent) do not affect fraudulent use of village funds when the internal control system is effective. Thus, the third hypothesis (H3) is supported.

The effectiveness of the implementation of the internal control system is the main key in preventing village heads from cheating the use of village funds, both in conditions of adverse selection and the absence of adverse selection.

Testing the fourth hypothesis (H4), that is, in the absence of adverse selection, an effective internal control system will reduce fraudulent use of village funds compared to the ineffective internal control system. Based on table 8, the test results show that the internal control system has a value of F = 4,603, and sig. 0.037 at the significance level of 5%. Furthermore, adverse selection has a value of F = 4.199, and sig. 0.046. The findings of this study prove that the internal control system and adverse selection have an effect on fraudulent use of village funds. Next, to test the fourth hypothesis (H4), the researcher compares group 3 and 4. The results of the comparison of the two groups show that the mean difference is 3.8615, and sig. 0.002 at the 1% significance level. The mean effective internal control system under conditions of no adverse selection is higher than the mean value of the ineffective internal control system in conditions of no adverse selection. The findings of this study prove that under no adverse selection conditions, an effective internal control system will reduce fraudulent use of village funds compared to ineffective internal control systems. Thus, the fourth hypothesis (H4) is supported.

Lane and O'Connell (2009) explain that implementing an effective internal control system through the main focus of the system can reduce fraud in the organization. The strength of the implementation of the internal control system when applied effectively when compared to an internal control system that is not implemented effectively. An effective internal control system will reduce the likelihood of village heads in committing fraud. The village community will obtain information relating to the performance of the village organization. Although the village head has the authority to carry out village government activities, and has the potential to use his authority for personal interests, but if supported by an effective internal control system, it will prevent the village head's actions from misusing his authority. In other words, the implementation of the effectiveness of the internal control system is binding on the moral and ethics of the village head not to commit fraudulent use of village funds.

CONCLUSION

In recent years, corruption cases at the village level have been in the public spotlight. This is evidenced through around 154 number of corruption cases at the village level involving 112 village heads, 32 village officials, and 3 people who are family heads of villages, resulting in state losses of 47.56 billion rupiah in 2015-2017. This case is carried out through various modes such as the practice of budget abuse, fictitious reports, fictitious activities/projects, and budget bubbles. These various modes occur because the internal control system is ineffective, so it provides an opportunity for actors to act opportunistically. The aim is to maximize his personal interests as agents rather than the interests of the community as principals. This opportunistic behavior is caused by the existence of information asymmetry. Information asymmetry creates conditions for obtaining information that is not aligned between the village head as an agent and the community as principal, so that the emergence of adverse selection emerges.

The findings of this study prove that (1) adverse selection conditions affect the relationship between the internal control system and fraudulent use of village funds; (2) the internal control system that does not effectively affect fraudulent use of village funds under adverse selection is compared to no adverse selection; (3) adverse selection conditions do not affect fraudulent use of village funds when the internal control system is effective; and (4) in conditions where there is no adverse selection, an effective internal control system will reduce fraudulent use of village funds compared to ineffective internal control systems. The description of the research findings provides several contributions such as the contribution of theory, methodology and policy.

The contribution of this study to the development of the theory is, the main cause of village heads to commit fraud in the use of village funds, namely, because of opportunities and rationalization. An ineffective internal control system is an opportunity for village heads to commit fraudulent use of village funds. In addition, if the village head has more information than the community, the village head has the potential to fulfill his interests rather than the interests of the community's welfare. The village head who committed fraudulent use of village funds felt that the action he did was right. This can happen because village heads involved in corruption cases have continued to increase over the past three years, so this condition can be used as a justification for corruption of village funds. Therefore, this study is able to provide confirmation of the fraud triangle theory, information asymmetry between village heads and the community provides opportunities for village heads to opportunistic behavior to fulfill their interests. To reduce this condition, an effective internal control system needs to be applied consistently. This can be known through the findings of this research. Thus, this research is able to contribute to agency theory.

The results of this study have contributed to the research methodology, namely, (1) the use of scenarios or research modules because this study uses laboratory experimental research, so as to be able to control irrelevant variables and reduce decision-making bias; and (2) experimental methods yield higher results related to the causal relationship between the dependent and independent variables, so the essence of this method depends on the researcher manipulating the independent variables and observing their impact on the dependent variable while controlling for other disturbing factors. Therefore, researchers need a strong theoretical foundation that is relevant to the research topic (Nahartyo, 2013).

The contribution of this study to policy is that regulators need to design an internal control system in accordance with the specific objectives of village government organizations by considering several important aspects, namely the planning process, the implementation process, the process of procuring goods and services related to the distribution and management of village funds, accountability processes, and monitoring and evaluation processes. These five processes are prone to fraudulent use of village funds, so the regulator is not only focused on increasing village fund allocation. However, it must focus more on securing village funds, so that the community as principals can enjoy justice and prosperity.

The limitations of this study are this study only uses Pattimura University accounting students who are taking a bachelor's degree as a subject. This is because the researcher takes into account the adequacy of the subject in each group, so that researchers do not use strata students as subjects because they are relatively few, and researchers only examine in terms of internal control systems and agency conflicts by referring to phenomena or corruption cases that occur at the village level, without taking into account other factors. However, other factors have been controlled by researchers through the superiority of the experimental method. Thus, further research is expected to be able to expand research subjects such as strata students by taking into account the adequacy of subjects in each group, and researchers can use other factors that can influence fraudulent use of village funds by using various corruption cases at the village level which the researcher has described in the introduction.

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JURNAL

TATA KELOLA & AKUNTABILITAS KEUANGAN NEGARA

Volume 5, Number 1, Jan-Jun 2019: 57-72
e-ISSN 2549-452X
p-ISSN 2460-3937

TRANSPARENCY AND ACCOUNTABILITY AS DETERMINANTS IN THE FINANCIAL MANAGEMENT OF UNIVERSITIES: A STUDY ON STATE UNIVERSITIES IN MALANG CITY

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ABSTRACT

Educational organizations are public sector organizations, making transparency and accountability two important principles that must be reflected in their financial management. This requirement is enshrined in the Law of the Republic of Indonesia Number 12 of 2012 on University. Two factors that can potentially influence transparency and accountability of financial management are the presentation of financial report of the organization in question and accessibility to such statements. This research is intended to analyze the impact of financial report presentation and accessibility to financial reports on transparency and accountability of financial management of a state university in Malang City. Rate of returned and completed questionnaire is 100%, comprising of 252 questionnaires. Data analysis is conducted using multiple linear regression. There are two independent variables used in this research, namely the presentation of financial reports and accessibility to financial reports, and two independent variables, namely transparency and accountability of financial management. The result of this research indicates that the presentation of financial reports and accessibility to financial reports have a positive impact on transparency and accessibility in financial management. This in turn implies that the public would consider that financial management at the state university is accountable if its financial report is prepared in accordance with the applicable standards and easily accessed.

KEYWORDS:
Presentation of financial report; accessibility; transparency; accountability

ARTICLE HISTORY:
Received at : 24 March 2019
Published at : 28 June 2019

INTRODUCTION

University is defined by Sudiyono (2004) as an institution providing higher education, research, and renders service to society. Higher education constitutes an activity aimed to create educated individuals by preparing students to become members of society having academic skills and/or professionals with the ability to apply, develop and enrich knowledge, technology, and social arts.

The Education Administration Lecturing Team of Universitas Pendidikan Indonesia (2009) states that educational organizations are public sector organizations. This type of organization are economic entities that have their own unique characteristics and have access to significant or, as some would say substantial resources.

Meanwhile, the objective of non-profit organizations is to provide public services without obtaining financial benefit. Non-profit organizations are divided into two categories, namely public and private. Public non-private organizations are created by a formal community with the aim of providing service to the general public. Private non-profit organizations are established by groups of people that focus on a specific service, such as education and healthcare within the community, delivered on a non-profit basis. Characteristics of a public sector organization is that it is operated without aiming to generate financial benefit, collectively owned by the public, whose ownership of resources is not manifested in negotiable shares, and whose decisions relate to both policies and operational measures based on consensus (Education Administration Lecture Team Universitas Pendidikan Indonesia, 2009).

Educational organizations, including universities, are subject to continuous supervision. Supervision that is effected in the field of education generally refers to efforts to improve the teaching and learning process. The Education Administration Lecture Team of Universitas Pendidikan Indonesia (2009) reported that a number of issues hampering the implementation of supervision include the public's increasing demand for accountability from the educational institutions, which can result in an increasing workload in terms of administrative tasks, particularly during times leading to the conduct of audits. Accountability is also demanded by NGOs and the medias. In addition, issues involving transparency in the management of educational institutions is often the result of conflicts between the policies of educational institutions' management and those of the public, which condition imposes difficulty on the management in undertaking their daily duties (Education Administration Lecture Team Universitas Pendidikan Indonesia, 2009). Natawibawa (2018) states that the budget allocated to the education sector can be viewed as significant, normally constituting 20% to 30% of the state budget, increasing the risk of misappropriations in the financial management of education institutions. To reduce the risk of such irregularities, it is important for the management of state universities to ensure disclosure with respect to its financial management within the organizations.

Indonesian Law Number 12 of 2012 on Higher Education stipulates that transparency and accountability are two of a number of important principles that must be observed in managing a university. The enactment of this law marks the moment where universities nationwide must initiated reforms in their management to establish transparent and accountable management of universities in the country. Regardless of the fact that the law clearly provides that the management of universities must meet the principles of transparency and accountability, it still appears that university managers have yet to provide due attention to these principles in the financial management of their organizations. This can be seen from 37 alleged corruption cases found by the Indonesia Corruption Watch (ICW) in state universities, resulting in financial loss by the state amounting to 218,804 Rupiah within a 10 year period, namely from 2006 to August 2016 (JPNN.COM, 2016).

Some of the corruption cases occurring at universities include corruption in the procurement of goods and services, utilization of education grants and funds under the universities' corporate social responsibility program (CSR), internal budges, and scholarship funds for students (JPNN.COM, 2016). According to Siti Juliantari, the enabling factor for prevalent corruption at universities is financial management that lacks accountability and lack of transparency of information with regard to incoming funds, utilization of funds, and the programs that are being implemented (Antikorupsi.org, 2016). Member of the Indonesia Supreme Audit Agency (Badan Pemeriksa Keuangan), Rizal Djalil, has also stated that many universities in Indonesia lack the competence to manage the organization's assets. Additionally, managers of state universities are not transparent (Political News Agency RMOL.co, 2012). This is in line with the views of Masyitoh et al. (2015) in Ikhwan, Subroto and Ghofar (2016) that strong transparency and accountability may have the effect in reducing the potential for corrupt practices. This means that the potential for corruption increases when universities ignore the principles of transparency and accountability.

The issues of transparency and accountability of the management of an organization's resources can be explained by applying the agency theory. The agency theory is an offshoot of the game theory that studies the design of a contract intended to motivate rational agents to act in the interest of its principal when its own interest is in conflict with that of the principal (Scott, 2015). Problems of agency in an organization arises when there is a conflict of interest between the principal as the party owning the funds and the agent as the party in charge of managing the funds aimed to achieve the organization's goals. Funding of an educational institution in Indonesia is comprised of three sources, namely government funding, funds from payment made by students, and funds from other types of financing (Anwar, 2013). Therefore, students have a large interest in seeing transparency and accountability of the management of education institutions as they are an element of society that is directly affected by the education process, which they partake in to become members of society that posses academic skills and ultimately become professionals. This is in line with the views of Sudiyono (2004) that universities must be able to deliver optimal child-centered education service. The term child-centered entails a learning process that is oriented towards the students, whether grade, high school or college students, in order to provide them with the opportunity and facility to develop their knowledge in a self-reliant manner in order to gain a deeper knowledge of their field of study, which in turn would increase their personal quality.

Ball (2009) defines transparency as disclosure to the public, low level of confidentiality among players, dissemination of information for decision making purposes, and a means to demand for accountability. Further, Ball (2009) also proposed an understanding of transparency, namely a request for information, the ability of citizens to acquire information, and the provision and release of actual information by the government as well as non-governmental organization (NGOs). Michener and Bersch (2013) define transparency as recorded information. Michener and Bersch (2013) give an example related to the definition of transparency, namely an occasion where a council or board makes a decision publicly. However, for an outside person such decision cannot be seen as transparent insofar as the process by which it was arrived at is not recorded in a form that can be seen or heard. According to Michener and Bersch (2013), transparency began to be used as a principle in accounting was in the 1980s, when the term started to be widely recognized. Further, Douglas and Meijer (2016) see transparency not only as an tool for external stakeholders to monitor an organization's performance and deter corruption, but also as a tool that can be used by public organizations to actively collaborate with their stakeholders. Organizations' management are expected to continually provide information and educate their stakeholders beyond the extent that they are legally bound to do in disclosing information.

The other principle that must be observed in the financial management of universities is accountability. Abubakar, Dibal, Amade, and Joyce (2017) state that the concept of accountability refer to the way by which resources are utilized in relation to the goals of an organization. According to Abubakar, et al. (2017), accountability is defined as an obligation to maintain a record of the mandate given. Further, Abubakar, et al. (2017) state that the concept of financial accountability of public organization is the extent to which the management of such public organization provides explanation or justification on what it has managed or failed to do for the public or the people within its jurisdiction. A management body that is entrusted with public funds needs to manage such funds for the well-being of the community. As such, financial accountability in this regard is the action of ensure that public funds are used accountably. Financial accountability demands managers of public sector organization ensure that public funds or resources are used wisely and supported by adequate record-keeping methods and presented in the prescribed manner that would allow it to be available to and accessible by the public and delivered in a timely manner to be scrutinized by the public.

Steccolini (2002) defines accountability as the obligation to explain and justify the actions of a person. Steccolini (2002) gives as an example the occasion where an accountant has to furnish information to a person entitled to receive information and such person uses the information to evaluate the accountant. Steccolini (2002) states that accountability constitutes an accountability manifested in the provision of information, and the consequence of that is that evaluation is performed by the receiving party on the information so received. According to Steccolini (2002), accountability is a varied concept. As such, Steccolini (2002) cautions that in interpreting the term accountability, one should determine who is deemed as accountable, to whom, and why such responsibility is called for. An educational organization bears a substantial responsibility to the public as it is funded by multiple sources, one of which are the students, in order for the organization to undertake the role of preparing students to become members of society that posses academic skills and ultimately become professionals in society (Sudiyono, 2004). Therefore, universities are greatly accountable to the students for the management of its resources towards achieving the goals of the organization.

Nurrizkiana, Handayani and Widiastuty (2016) state that one way to enhance transparency and accountability of an institution that fall into the category of public sector organization is through the reform of financial report presentation. The financial report of a public sector organization constitute a structured representation of its financial position as a result of the transactions that took place. The better an institution presents its financial reports, the more transparency and accountability can be present in the financial management of the public sector organization. Nurrizkiana, et al. (2017) also state that the inability of a financial report in bringing forth transparency and accountability is not only caused by the unavailability of all the information needed to be contained in the report by the users, but may also be the result of such report not being readily available to and accessible by a potential user.

Several researchers have conducted tests on the effect of financial report presentation and accessibility to financial reports on the transparency and accountability of such reports. Nurrizkiana, et al. (2017) and Hehanussa (2015) have succeeded in proving that the presentation of financial report renders positively influence transparency of financial management. Similarly, the research conducted by Saragih, Ratnawati, and Hanif (2015) also Indria (2018) managed to prove the effect of financial report presentation on the transparency of such report. Further, Nurrizkiana, et al. (2017), Hehanussa (2015), also Wiyana and Syah (2016) have proven that the presentation of financial reports positively impacts accountability of financial reports. Saragih, et al. (2015); Sumiyati, Zulbahridar, and Safitri (2015); also Indria (2018) have also proven that presentation of financial reports affect the accountability of reports. As regards the effect of accessibility to financial reports on the transparency of financial reports, Nurrizkiana, et al. (2017); Aimbu, Saerang, and Gamaliel (2017); Pasaribu (2011), and Hehanussa (2015) managed to establish that accessibility to financial reports has a positive impact on the transparency of a financial report. The research conducted by Saragih, et al. (2015) as well as Azizah, Junaidi and Setiawan (2018) also managed to prove that accessibility to financial reports positively influences transparency of financial reports. Further, as regards the effect of accessibility to financial reports on the accountability of such reports, Nurrizkiana, et al. (2017), Pasaribu (2011), Hehanussa (2015), also Wiyana and Syah (2016) have found that accessibility to financial reports positively influence the accountability of the reports. Research conducted by Saragih, et al. (2015) and Sumiyati, et al. (2015) also managed to prove that accessibility to financial reports influences the accountability of financial reports.

Researches on the influence test of and accessibility financial reports on their transparency and accountability have yet to yield consistent results. Yuliani (2017) and Azizah, et al. (2018) have found that presentation of a financial report does not render any impact on the transparency of the report. Pasaribu (2011) found that presentation of financial report positively influence transparency of the report. Azizah, et al. (2018) also found that there is no effect of financial report presentation on the accountability of the report, while Pasaribu (2011) concluded that presentation of financial reports rendered a negative impact on the accountability of financial reports. Research conducted by Yuliani (2017) and Indria (2018) found that accessibility to financial reports did not have influence over the transparency of financial reports. In addition, Indria (2018) and Azizah, et al. (2018) have found that accessibility to financial reports did not affect the accountability of the report.

Bearing in mind the background of the matter as described above, the author intends to retest the effect of financial report presentation and accessibility to financial reports on transparency and accountability of financial reports. The subjects of this research are students of a state university located in Malang City. The research was conducted in Malang City as it has been widely regarded as the city of education since the rule of the Dutch Indies government. This title was given due to the many schools that are located in the city even during the colonial period from 1914 to 1939, and up to this day there are many universities in Malang, drawing students from all over the country to pursue education in the city (Merdeka.com, 2016).

RESEARCH METHOD

Population and Sampling Method

The present research or study is a descriptive study. The population of the study are all the students enrolled in state universities in Malang City, comprising of 69,074 students from Brawijaya University, 34,128 students from Universitas Negeri Malang, 17,067 students from Universitas Islam Negeri

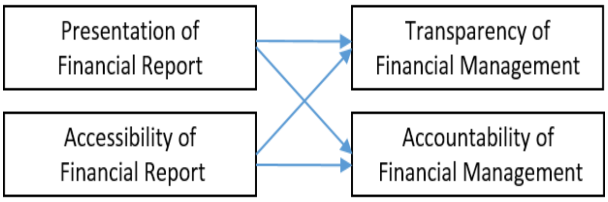
Table 1. Operational definitions of the variables

No.	Variable	Description	Indicator
1.	presentation of financial report	The ease by which to seek information in an organization's financial report (Pasaribu, 2011)	1. Financial report of the university is presented reliably; 2. Financial report of the university is relevantly presented; 3. Financial report of the university can be subjected to comparison; and 4. Financial report of the university can be understood. (Nurrizkiana, et al.,2017)
2.	accessibility to financial report	The ease by which to seek information in an organization's financial report (Pasaribu, 2011).	1. Financial report of the university is published openly through mass media. 2. The university's management facilitates financial report users to obtain information on the university's financial report. 3. Students can access the university's financial reports through the internet (website). (Pasaribu, 2011)
3.	transparency in financial management	Freedom enjoyed by stakeholders to view the structure and functions of the organization, the purpose to be achieved through the formulation of a particular policy, and accountability report of the preceding period (Pasaribu, 2011).	1. Availability of an organization system that meets expectations. 2. Accessibility to the university's financial reports that meets expectations. 3. Publication of the university's financial report that meets expectation. 4. Availability of audit reports that meets expectations. 5. Availability of performance information that meets expectations. (Nurrizkiana, et al.,2017)
4.	accountability of financial management	Accountability relating to the financial integrity of the organization, disclosure and compliance with the requirements of the law (Pasaribu, 2011).	1. Accountability on the use of public funds by the university. 2. Type and form of investigative financial reports that meet expectations. 3. Timely presentation of financial reports. 4. Audits conducted. 5. Timely response to financial reports of the university.

Maulana Malik Ibrahim, and 11,410 students from Malang State Polytechnic. The total number of student population enrolled in the universities in Malang City is 131,679 students. The sampling method employed is convenience sampling. The maximum amount of data for analysis using the SPSS version 24 program is 255. As such, determination of the sample size refers to the maximum data that can be input into the SPSS program. Sixty-three students from each university are taken as samples. The variable definitions used in this study and their indicators are presented in Table 1.

Measurement of independent and dependent variables were done using the five-point Likert scale, namely Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), Strongly Disagree (SD). The research model is as illustrated in Diagram 1.

Diagram 1. Research Model



The statistics testing technique used in this research is multiple linear regression, performed with the help of the SPSS Version 24 statistics software. The author will test the validity using the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO MSA) analysis and reliability test using Cronbach Alpha value, followed by regression analysis. After the multiple linear regression is performed, which would result in a regression equation, the next step would be to conduct a classical assumption test. The classical assumption test has the purpose of establishing that the regression resultant equation is not biased, is accurate in its estimate, and consistent. The classical assumption test conducted covers multicollinearity test, heteroscedasticity test, and normality test.

The hypothesis put forward in this study are as follows:

H1 : Presentation of a financial report has a positive influence on the transparency of the financial report.

H2 : Accessibility to a financial report has a positive influence on the transparency of the financial management.

H3 : Presentation of financial has a positive influence on the accountability of the financial management.

H4 : Accessibility to a financial report has a positive influence on the accountability of the financial management.

RESULT AND DISCUSSION

252 questionnaires were distributed to students of Brawijaya University, Malang State University, Maulana Malik Ibrahim Islamic State University, and the Malang State Polytechnic. Questionnaire response rate was 100%. A graphic representation of the respondents are as presented in Table 2.

Results of the validity, reliability and classical assumption tests, which used SPSS Version 24, are as presented in the annexes to this document. Validity and reliability tests show that the overall indicators of this research are valid and reliable. Meanwhile, the classical assumption test indicate an absence of multicollinearity and heteroscedasticity in the regression model and lack of multicollinearity among the independent variables in the regression model. The histogram shows a normal distribution pattern, meaning that the regression model has satisfied the normality assumption.

Hypothesis Testing Result

The result of the multiple linear regression on the effect of the financial report presentation and the accessibility to financial reports against the transparency of financial management is shown in Table 3. Table 3 shows that the two tested relations have a significance value below 5% and the coefficient has a positive value, which means that H1 and H2 are both acceptable. The largest standardized beta coefficient value lies on the variable of accessibility to financial reports. This indicates that such variable on accessibility to financial reports is an independent variable which is more dominant and affects the transparency of financial management, compared to the variable on the financial report

Tabel 2. Respondent Profile

No.	Item	Remarks	Total	Percentage
1.	Sex	Male	85	33.73%
		Female	167	66.27%
2.	Age	16 – 20 years old	61	24.21%
		21 – 25 years old	185	73.41%
		26 – 30 years old	4	1.59%
		> 30 years old	2	0.79%
3.	Semester	1 – 2	34	13.49%
		3 – 4	30	11.90%
		5 – 6	43	17.06%
		7 – 8	114	45.24%
		≥ 9	31	12.30%
4.	Education level	D1	2	0.79%
		D2	5	1.98%
		D3	57	22.62%
		D4/Bachelor Degree	181	71.83%
		S2 (Post-graduate Degree)	3	1.19%
		S3 (Doctorate Degree)	2	0.79%

Table 3. Result of the Multiple Regression on the Effect of Financial Report Presentation and Accessibility to Financial Report against the Transparency of Financial Management

Model	*Unstandardized Coefficients*		*Standardized Coefficients*	T	Sig.
	B	*Standard Error*	*Beta*		
Constant	8,244	0,811		10,169	0,000
Financial Report Presentation	0,340	0,066	0,297	5,174	0,000
Accessibility to Financial Report	0,526	0,068	0,444	7,746	0,000

presentation.

The result of the multiple linear regression on the effect of the financial report presentation and the accessibility to financial reports against the accountability of financial management is shown in Table 4. The significance value produced is below 5% and coefficient has a positive value, by which H3 and H4 is acceptable. The largest standardized beta coefficient lies on the variable of the financial report presentation. This indicates that the variable of financial report presentation is an independent variable which dominantly influence the accountability of the financial management compared to the variable of the accessibility to financial report.

Furthermore, the coefficient of determination in the regression test on the impact of the presentation of financial reports and the accessibility to financial reports against the transparency of financial management is shown in Table 5. R2 is adjusted to 0.427, meaning that 42.7% of the variation in transparency of financial management can be explained by variations of the two non-presentation variable of financial report and accessibility to financial report The rest (100% - 42.7% = 57.3%) is explained by other causes outside the model. While the independent variables in the presentation of financial report and accessibility to financial report can explain the 34.2% of the variation in financial management accountability. The rest is explained by other reasons outside the model.

The results of the study show that the presentation of financial reports and accessibility to financial reports have a positive influence on the transparency and accountability of the management of state universities in Malang City. This would mean that principles of the presentation of financial reports are being fulfilled and

Table 4. Result of the Multiple Regression on the Effect of Financial Report Presentation and Accessibility to Financial Report against the Accountability of Financial Management

Model	*Unstandardized Coefficients*		*Standardized Coefficients*	T	Sig.
	B	*Standard Error*	*Beta*		
Constant	8.610	0.934		9.220	0.000
Financial Report Presentation	0.486	0.076	0.395	6.428	0.000
Accessibility to Financial Report	0.343	0.078	0.270	4.388	0.000

Tabel 5. Determinants Coefficient

Relationship	R	*R Square*	*Adjusted R*	*Standard Error*
Financial Report Presentation and Accessibility to Financial Report against the Transparency of Financial Management	0.657	0.432	0.427	2.57109
Financial Report Presentation and Accessibility to Financial Report Against the Accountability in Financial Management	0.589	0.347	0.342	2.96178

based on the Government Regulation of the Republic of Indonesia Number 71 of 2010, the public would have an easier access to financial reports of state universities in Malang from various available media, and therefore the community (by which in this research refers to the students of the State University) will assume that transparency and accountability of state universities will also be improved. The result of such research that demonstrates the positive influence of the presentation of financial reports as well as accessibility to financial reports for transparency and accountability of financial management is in line with the research result carried out by Nurrizkiana et al. (2017), Aimbu et al. (2017), Saragih, et al. (2015), Sumiyati et al. (2015), Hehanussa (2015), as well as Wiyana and Syah (2016). The result of the research is also in correspondence with the research carried out by Pasaribu (2011) stipulating that presentation of financial report and accessibility to financial management are two important subjects that can influence transparency and accountability of the public sector's financial management.

Indonesian law on Higher Education stipulates that the principle of higher education is when universities have the ability to present relevant information in a precise and accurate manner to stakeholders based on the provisions of the legislation. Transparency and accountability in organisational financial management within the public sector can be achieved if financial reports are presented by including, at least, the posts that covers cash or equivalent to cash, short-term investments, tax receivable and non-tax receivable, inventory, long-term investment, fixed assets, short-term liability, long-term investment, as well as cash equity (Pasaribu 2011).

Pasaribu (2011) states that financial information presented in the balance sheet will increase management accountability and increase transparency in organizational activities. In addition, financial information can be a facility for assessing an entity's financial position by displaying its resources and obligations and providing more extensive information needed in decision making.

Furthermore, Pasaribu (2011) revealed that failure in realizing accountability in organizational financial management was caused not only by the unavailability of relevant information in the organization's annual report, but also because the annual report was not directly available and potential users did not have the convenience to access the report. Pasaribu (2011) discloses that in public sector organizations, community at large needs to be able to know and obtain public sector financial reports easily. The measure of the effectiveness of accountability in public sector organizations is dependent on public convenience in accessing accountability reports and findings to be read and understood by them. Access to obtaining public sector financial reports in the current open democracy can be done through various media, including television stations, radio, magazines, websites or internet networks, newspapers, as well as forums that pay direct attention to the accountability of public sector organizations to the society.

Saragih et al. (2015) states that improved financial report presentation in public sector organizations will certainly have an impact on the clearer financial reporting of the organization's management because all transactions have been carried out based on prevailing regulations and the presentation is complete and accurate hence it impacts the transparency and accountability of the financial reports. Presentations made based on the prevailing regulations and carried out completely and accurately will reduce the occurrence of negligence and fraud in financial management in public sector organizations (Sumiyati et al., 2015).

The results of this research show that the presentation of the financial reports of State Universities in Malang City has a positive influence on transparency and accountability in financial management and supported by the condition of State Universities in Malang City which have presented their financial reports based on the principles set forth in the Government Regulations of the Republic of Indonesia Number 71 of 2010 concerning University Financial Reports, namely financial report presentations that are reliable, relevant, comprehensible and comparable. This can be seen from the absence of problems revealed by the media relating to the presentation of financial reports of State Universities in Malang City. This means that State Universities in Malang City have presented their financial reports in accordance with the existing regulations so as the public has the perception that that financial management in State Universities in Malang City has been carried out in a transparent and accountable manner. In accordance with the statement made known by Hehanussa (2015) that it is important for public sector organizations to be able to compile financial reports based on commonly accepted government accounting.

Transparency and accountability in financial management in the public sector are also influenced by the accessibility to financial reports. Aimbu et al. (2017) revealed that the more effective accountability in public sector organizations' financial management is truly dependent on the improved access of the public to comprehensible accountability reports and findings. Nurrizkiana, et al. (2017) who conducted a study of the East Lombok local government revealed that the results of his research were supported by the conditions of the East Lombok local government that published financial reports through various media, such as television stations, radio, magazines, newspapers, and websites. Similar to Nurrizkiana et al. (2017), the results of this study are also supported by the condition of State Universities in Malang that publishes their financial reports through internet media so that the entire community can directly access the financial reports of State Universities in Malang through internet media. Sumiyati et al. (2015) also stated that efforts to produce transparency and accountability in public sector organizations could not be carried out to the maximum if financial report users could not easily access financial reports since providing accessibility of financial reports would result in public trust in the organization's financial management.

CONCLUSION

This research proves that the two independent variables in this study, namely the presentation of financial reports and the accessibility to financial reports have a positive influence on transparency and accountability in financial management of State Universities in Malang. Thus, to produce transparency and accountability in terms of financial management of State Universities in Malang City, it is deem necessary for the management of State Universities in Malang City to present the financial reports of the organization that refers to the prevailing laws and regulations, specifically financial reports that fulfills the principle of reliability, relevance, comparable and comprehensible. Another aspect that also needs to be taken into account by the management of State Universities in Malang is for the community to easily access the financial reports of the organization through various available media, including through the internet, television stations, magazines, newspapers, radio, etc.

This study has its limits, as it only uses state universities as the object of research even though there are many private universities. In addition, transparency and accountability of financial management of universities are explained by the two variations of independent variables, namely the presentation of financial reports and the accessibility to financial reports with a low value. This indicates that there are actually many other factors that can affect transparency and accountability in universities' financial management.

The Researcher can furthermore expand the object of research by including private universities as the object of research. Researchers can also add other variables to get a better multiple linear regression model. This is important to get a better understanding of the determinants of transparency and accountability in financial management of universities.

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ACKNOWLEDGEMENT

The Authors would like to thank the Manager of the Governance and State Financial Accountability Journal, the Supreme Audit Agency of the Republic of Indonesia for providing an opportunity for the author to publish this article and may this article be useful for its readers. The authors also would like to show its gratitude to Universitas Brawijaya, Malang State University, Maulana Malik Ibrahim State Islamic University, and Malang State Polytechnic who have tremendously supported the author in obtaining data in order for this research to be completed accordingly. In addition, the authors also wish to thank all those who have provided support for the completion of this research.

APPENDICES

Appendix 1. Reliability Test Result

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0,863	0,864	17

Appendix 2. Validity test Result

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0,921
Bartlett's Test of Sphericity	Approx. Chi-Square	2637,341
	Df	136
	Sig.	0,000

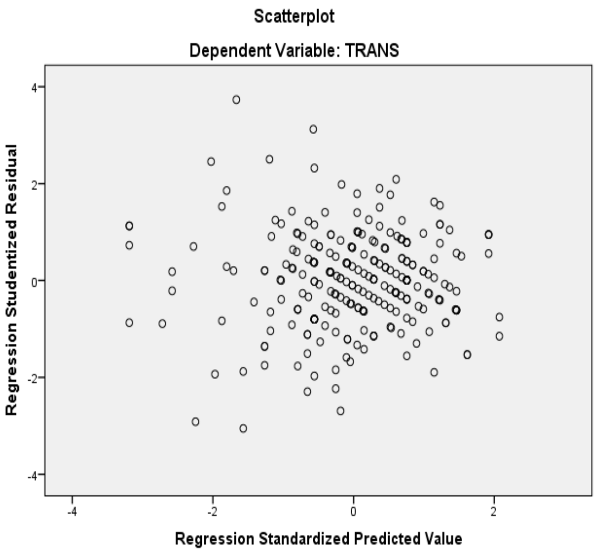
Appendix 3. Multicolinearity test result with dependent variable of financial management tranparency

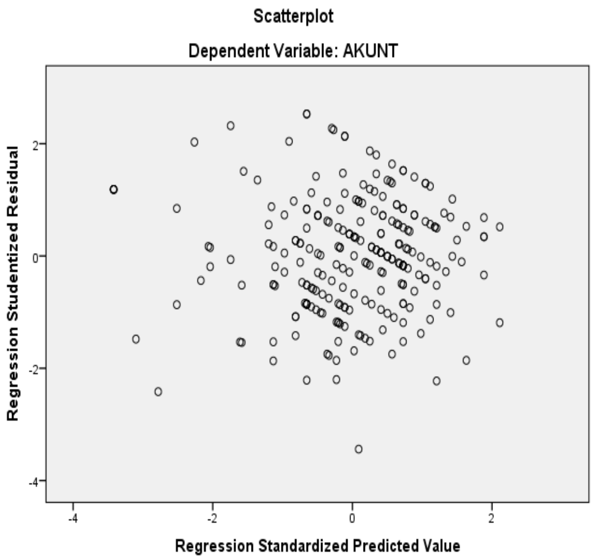
Model	*Unstandardized Coefficients*		*Standardized Coefficients*	T	*Sig.*	*Collinearity*	*Statistics*
	B	*Standard Error*	*Beta*			*Tolerance*	VIF
Constant	8,244	0,811		10,169	0,000		
Presentation of Financial Report	0,340	0,066	0,297	5,174	0,000	0,748	1,442
Accessibility of Financial Report	0,526	0,068	0,444	7,746	0,000	0,693	1,442

Appendix 4. Multicolinearity test result with dependent variable of financial management accountability

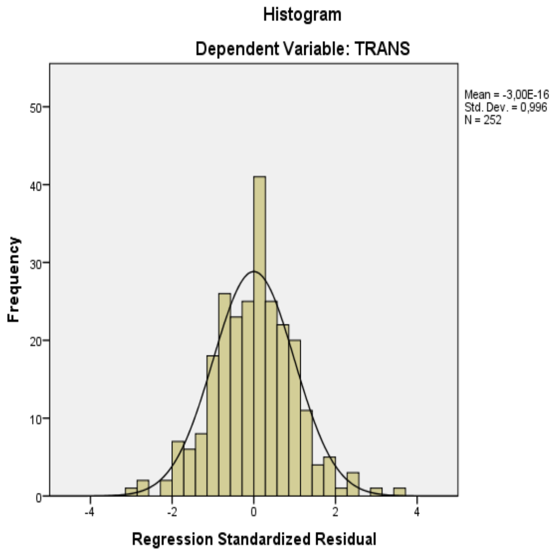
Model	*Unstandardized Coefficients*		*Standardized Coefficients*	T	*Sig.*	*Collinearity*	*Statistics*
	B	*Standard Error*	*Beta*			*Tolerance*	VIF
Constant	8,610	0,934		9,220	0,000		
Presentation of Financial Report	0,486	0,076	0,395	6,428	0,000	0,693	1,442
Accessibility of Financial Report	0,343	0,078	0,270	4,388	0,000	0,693	1,442

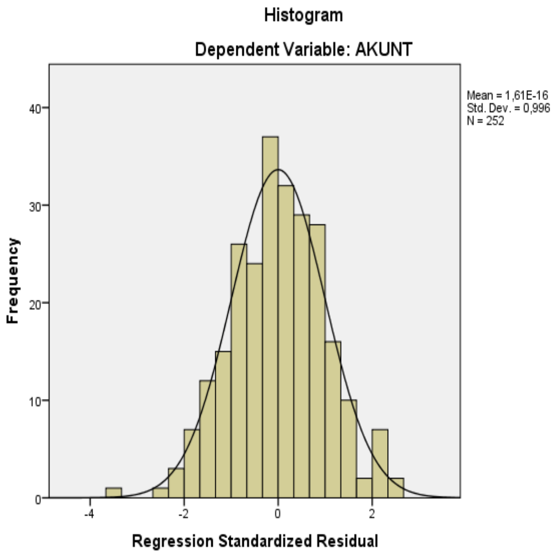
Appendix 5. Heteroscedasticity test result on the effect of presentation of financial report and accessibility of financial report to the financial management transparency and accountability





Appendix 6. Normality test result on the effect of presentation of financial report and accessibility of financial report to the financial management transparency and accountability





JURNAL

TATA KELOLA & AKUNTABILITAS KEUANGAN NEGARA

Volume 5, Number 1, Jan-Jun 2019, 73–89
e-ISSN 2549-452X
p-ISSN 2460-3937

ANALYSIS OF THE RESPONSIBILITY OF GOVERNMENT INSTITUTIONS IN RETURNING STATE LOSSES ACCORDING TO LAW NUMBER 30 OF 2014 ON GOVERNMENT ADMINISTRATION

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ABSTRACT

The passage Law Number 30 of 2014 on Government Administration has raised its own problems due to its clauses regarding legal subjects that could be charged with reinstating state losses. This is due to the fact that such Law provides that government institutions can be determined as the party that is responsible for reinstating state loss that have occurred, which contradicts with the definition of state loss as stipulated in the applicable state finance laws that position the state as the party suffering the loss when a state loss is incurred. This study has been conducted using a normative legal research method which aims to test consistency between the legal norms applied in Law Number 30 of 2014 and the laws on state finance. Result of this study demonstrates that government institutions cannot be designated as the legal subject responsible for state losses. Such stipulation is not legally logical as it asserts that government institutions that are in fact representatives of the state may be required to return or pay the state losses to the state. Therefore there needs to be a revision to the relevant provisions of Law Number 30 of 2014 in order for such law to be in line with the provisions that presently govern state finance.

KEYWORDS:
Responsibility; government officials; state losses; Law Number 30 of 2014

ARTICLE HISTORY:
Received at : 22 March 2019
Published at : 28 June 2019

INTRODUCTION

Indonesia's definition of state finances can be found in Law Number 17 of 2003, which is "all the rights and obligations of the state that can be assigned monetary value, and any item in the form of money or goods that can be acquired to become the property of the state with respect to the exercise of such rights and obligations." This definition closely follows the definition of state finances as stipulated by Van der Kemp, namely all rights that can be assigned with monetary value, and all items (whether in the form of money or goods) that can become the property of the state with respect to such rights (Tjandra, 2014). In order to determine whether or not a loss has been suffered by the State, most countries of the world have an independent state institution having supervisory, reporting and audit authority (Lary & Taylor, 2012). Indonesia delegates such mandate to The Audit Board of Republic of Indonesia (Badan Pemeriksa Keuangan - BPK) based on Article 23E of The Amended Constitution of The Republic of Indonesia 1945.

The concept of state finances in Indonesia is closely related to the concepts of state losses and compensation from a legal perspective. Makawimbang (2014) defines state financial loss as the following:

1. The loss or diminishment of the State's rights and obligations that can be attributed with monitory value, as a consequence of a willful unlawful act in the form of:
   a. the right of the State to collect taxes, issue and circulate money, and provide loans;
   b. the State's obligation to deliver governmental public services and pay third taxes;
   c. State revenue and spending;
   d. Regional government revenue and spending; and
   e. State/regional government assets that are self-managed or managed by other parties in the form of money, commercial papers, receivables, assets, and other rights that can attributed with monetary value, including separated assets of central/regional government-owned enterprises.
2. The loss or diminishment of any item in the form of money or goods that can become the property of the State with respect to the exercise of its rights and obligations as a consequence of the willful conduct of an unlawful act in the form of:
   a. assets of other persons controlled by the government in the exercise of governmental functions and/or for public interest; and
   b. assets of other persons acquired using facilities provided by the government.

According to the theory put forward by law experts, Simatupang (2011) concluded that the elements of state loss are:

1. Loss is strictly a diminishment of money, goods, and commercial papers;
2. Definite. The diminished money, goods, and commercial papers have been determined of its value in a financial report;
3. Real. The diminished money, goods, and commercial papers have become the rights or obligations of the State; and
4. The consequence of an unlawful action (criminal/civil) or negligence.

The purpose of compensation is to allow the aggrieved party, as the victim, to receive recovery or compensation from the party causing the loss as a result of the conduct of an unlawful act (Herstein, 2015). Article 1 paragraph 16 of Law Number 15 of 2006 stipulates that:

> "Compensation is an amount of money or goods that can be attributed with monetary value that must be returned to

the state/regional government by an individual or entity that has committed an unlawful act, whether willfully or in negligence."

Bentham (2010) gives the definition of compensation as something given to the aggrieved party of an equitable value by taking into account any damage caused, and such compensation will be deemed as duly settled if the goodwill imparted is comparable to the damage suffered. With respect to damaged or destroyed goods, compensation to be given for future adverse situations are similar goods or goods of equal value to the suffering party, while compensation for past sufferings should be for any shortfall that is experienced (Bentham, 2010). This understanding is in line with the views of Agustina, Nieuwenhuis, Hijma, and Suharnoko (2012), who stipulate that with respect to financial loss (*vermogenschade*), compensation is usually comprised of reparation for loss suffered and profit expected to be received (*gederfdewinst*), although to determine the amount of such compensation is not as simple as one might expect. Compensation for anticipated profits can be equated to compensation for past suffering as defined by Bentham (2010). This is also similar to the concept of compensation from an economic perspective that recognizes compensation in the form of *opportunity cost* or *imputed cost*, such interest that are not actually accrued but must be taken into account in calculating compensation (Tuanakotta, 2007).

Soepardi (2006) states that there are three issues that must be examined as a possible cause for state financial loss, namely the conduct of treasurers, the conduct of non-treasurer civil servants, and the conduct of third parties. State loss is an occurrence that must be accounted for. In this regard, legal entities or persons that can be held accountable for the occurrence of a State loss are treasurers as functional officers, civil servants as government officials, and third parties such as contractors or goods and service providers, arising from an unlawful act, whether committed willfully or in negligence.

Law on compensation would overlap with regulations on government administration, given that the management of and accountability for state finances is borne by the government. Law Number 30 of 2014 on Government Administration (Law No. 30 of 2014) is intended by legislators to provide legal protection to citizens or government officials that make a decision or carry out an action. Protection from arbitrary decisions is provided under Article 70 paragraph (1), which governs the validity of a decision and/ or action when made or taken by a government agency and/or officer having no authority to do so, in a manner that exceeds their authority, or in an arbitrary fashion.

The advent of Law No. 30 of 2014 has raised its own problems in the governance of legal entities that can be held accountable for loss suffered by the State. This is due to the fact that such law states that other than government officials, government agencies can also be determined as being responsible for returning state losses under certain circumstances. Meanwhile, the concept of state losses or regional government losses always positions the State as the aggrieved party, not as the party that is accountable for the occurrence of the loss.

The law-making has the purpose of ensuring that the party suffering the loss receives payment or compensation commensurate to the value that it is entitled to (Markel, 2009). Further, when a decision and/or action is invalid, it can be rescinded on the basis of the implementation of incorrect procedure or any substantive error. Subsequently, any loss arising from the rescinded decision and/ or action will become the responsibility of the government agency and/or official in question.

Law Number 30 of 2014 is also meant to address the weakness found in the Law on State Administrative Judiciary, as now any factual action by the Government that in some cases can cause adverse effect on the public can serve as cause for litigation in the State Administrative Courts (Pengadilan Tata Usaha Negara or PTUN). By this regulation, the Government can no longer avoid the state administrative courts by issuing decisions only in written form (Siahaan, 2009). This provision expands the state administrative courts' authority to examine not only written administrative decisions, but also governmental actions *(bestuurhandelingen),* which not only comprise of formal written measure but also include "factual acts" *(feitlijke handelingen)*. State administrative courts under this law can also examine governmental administrative actions as set forth in Article 1 paragraph 8 of Law Number 30 of 2014, which were originally examined by the general courts in cases involving alleged unlawful acts committed by officials (*onrechtmatige overheidsdaad)* pursuant to the general provisions governing unlawful acts contained in Article 1365 of the Indonesian Civil Code (KUH Perdata) (Wahyunadi, 2016).

Article 20 paragraph (5) of Law Number 30 of 2014 lends protection to government officials by placing the responsibility of reinstating state losses on the relevant government agency. This protection of government officials is intended to remove the obligation to compensate for losses suffered by the state resulting other than from the misuse of power by the government official in question. Under this clause, if a decision and/or action involves a loss suffered by the government, but the government in question did not commit any abuse of power, then such loss become the responsibility of the state. Conversely, if negligence is found to have been committed and there is evidence of misuse of power, then such loss becomes the personal liability of the government official (Yulius, 2016).

From the annotation document to Law Number 30 of 2014 issued by the Center for Study of Governance and Administrative Reform (UI-CSGAR) in collaboration with the Ministry of Utilization of State Aparatus and Bureaucratic Reform (UI-CSGAR, 2017), it is known that far before the submission of the Draft Law on Government Administration by the Government to the Indonesian House of Representatives (DPR), the proposed clause governing this authority has received much input, comments and criticisms. One of such criticisms was raised during a Limited Cabinet Session in 2007, asserting that in a situation where the decision of a public official is deemed to be erroneous by the ruling of a State Administrative court and it is also ruled that a fine or compensation must be paid, then it should be made clear whether it is the public official or the government agency/institution that will bear the fine or compensation. Additionally, it was suggested that the related sanction should be elaborated, at which level administrative sanctions should also be able to be applied.

It is also known that during a Working Committee Meeting between the DPR and the Government on 1 September 2014, an agreement was reached that discussion on the Inventory of Issues (Daftar Inventaris Masalah or DIM) with respect to Article 90 to Article 186 of the Draft Law on Government Administration (therefore including Article 17 up to Article 21) is left to the Drafting Team. The work of the Drafting Team was discussed during a meeting between them and the Synchronization Team on 3 September 2014. The drafting session agreed that there needs to be a textual change to the provision of Article 20, namely the addition of a new paragraph (6) and paragraph (7). Paragraph (6) determines that returning of state losses as referred to in paragraph (5) is to be borne by the Government agency in question in the event the administrative error is not caused by misuse of authority. Meanwhile, paragraph (7) determines that the responsibility of reinstating state losses as referred to in paragraph (5) is to be borne by the public official if misuse of authority is found to have caused such administrative error.

To examine and determine which entity should be responsible for losses suffered due to a decision and/or action a certain process will be applied. Law Number 30 of 2014 states that the authority to examine whether such misuse of authority was committed lies with the Internal Government Auditors (Aparat Pengawasan Intern Pemerintah - APIP), who through their monitoring activities can arrive at any of the following conclusions:

1. No error has been committed;
2. An administrative error has occurred; and
3. An administrative error has occurred which caused state financial loss.

With regard to the conclusion made by the Internal Government Auditor, state loss arising from an administrative error is governed by Article 20 paragraph (5) and paragraph (6). As such, the Law allows the responsibility for state loss to be placed on a government agency and free the particular government official from the obligation to reinstate the loss suffered. This is possible provided that no misuse of authority is presented despite the decision and/or action was being made or carried out by the official in question. If in practice there occur a condition where the government agency is required to pay compensation for losses suffered by the state, another problem may arise. The problem relates to the question as to whether payment of such compensation should be made through the National Budget (Anggaran Pendapatan dan Belanja Negara or APBN) or through the Regional Budget (Anggaran Pendapatan dan Belanja Daerah or APBD), as well as to under what budget item and through what activity program can such repayment of state losses can be realized.

The purpose of this study is to determine the alignment of the legal norms that govern which legal entities can be held accountable for state losses as provided under Law Number 30 of 2014 with the theory of state administrative law and rules of state finance that apply in Indonesia. The result of this study is expected to benefit government agencies, the BPK in particular, in exercising their authority. Outcome of this study is also hoped to inform the Government and the House of Representatives as legislators in refining Law Number 30 of 2014 in the future.

RESEARCH METHOD

The present study applies legal norms as enshrined in the relevant regulations, including principles of the law that serve as references, particularly in state finances. The research typology used is prescriptive, namely a study aimed to generate recommendations as to what measures need to be take to address particular issues (Mamudji, 2005). This particular study has the purpose of formulating recommendation to enhance applicable norms governing subjects that are determined to be accountable for state losses under Law Number 30 of 2014. This study was initiated due to the fact that prior studies have not discussed persons accountable in such situations.

Data source utilized in this study is limited to secondary data that cover primary, secondary and tertiary legal entities. Processing and construction of data are

Table 1. Legal Subjects Accountable for State Losses under State Finance Laws

Law	Article Text	Legal Subject Accountable for State Losses
Law Number 17 of 2003 on State Finances	Article 35 paragraphs (1) and (2) (1) Any state official and civil servant other than treasurers who commits an offense or omits to perform their obligations, whether directly or indirectly, causing state financial loss to occur shall be required to provide compensation for such loss. (2) Any person assigned with the task of receiving, maintaining, paying, and/or delivering money or commercial papers or state-owned goods shall be a treasurer required to submit an accountability report to the Supreme Audit Agency.	1. State official; 2. Civil servants other than treasures; and 3. Treasurers
Law Number 1 of 2004 on State Treasury	Article 59 paragraph (2): (2) A treasurer, civil servant other than treasurer, or other officials who due to their action has violated the law or omits to perform the obligations assigned to them thus directly causing financial loss to be suffered by the state, shall compensate for such loss. Elucidation to Article 59 paragraph (2): The term other officials include state officials and officials undertaking governmental functions who do not bear the status of state official, not including treasurers and civil servants other than treasurers.	1. Treasurer; 2. Civil servants other than treasurers; 3. Other officials including state officials and officials undertaking governmental functions who do not bear the status of state official, not including treasurers and civil servants other than treasurers.
Law Number 15 of 2006 on the Audit Board (BPK)	Article 10 paragraph (1): (1) The BPK assesses and/or determines the amount of loss suffered by the state due to an unlawful act committed willfully or in negligence by the treasurer, manager of a state-owned enterprise/ regional government -owned enterprise, and institutions or other agencies in charge of managing state finances. Article 10 paragraph (3) (3) To ensure the payment of compensation, the BPK has the authority to monitor: a. settlement of the compensation to the state/regional government as determined by the Government on the civil servant other than treasurers and other officials; b. performance of the obligation to provide compensation for loss suffered by the state/regional government on the treasurer, manager of a State-Owned Enterprise/ Regional Government-Owned Enterprise, and institution or other agencies managing state finances as determined by the BPK; and c. performance of the obligation to provide compensation for loss suffered by the state/ regional government as determined by a court ruling having permanent legal force. Elucidation to Article 10 paragraph (1) The term “manager” include the employees of state/regional government -owned enterprise or other institutions or agencies. Elucidation to Article 10 paragraph (3) Sub-paragraph a: The term “other officials” refers to state officials and officials undertaking governmental functions that do not bear the status of state official. Sub- paragraph b: Sufficiently clear. Sub-paragraph c: Settlement of compensation for state losses due to the unlawful act of a third party is effected through a judicial process.	1. Treasurer; 2. Manager of a State-Owned Enterprise/ Regional Government-Owned Enterprise or other institutions/ agencies managing state finances, including employees of state/ regional government-owned enterprise or other institutions or agencies; 3. Civil servants other than treasurers and other officials (state officials and officials undertaking governmental functions who do not bear the status of state official); and 4. Third parties.

Source: Secondary Data (Law Number 17 of 2003, Law Number 1 of 2004 and Law Number 15 of 2006), processed by author.

conducted by exploring the researched objects, namely Law Number 30 of 2014, followed by analysis of data based upon the concepts of state administrative law as well as synchronization with other laws applicable in the country. Result of the analysis is used as material to establish a legal construct on the legal subjects governed under Law Number 30 of 2014 that can be held accountable for losses suffered by the state.

RESULT AND DISCUSSION

Legal Subjects That Responsible for Returning of State Loss Based on Law Number 30 of 2014

According to Article 1 paragraph 16 of Law Number 14 of 2006, upon the incurrence of state loss, the state is the legal subject suffering the loss (Halim & Bawono, 2011). Based on the terminology "state loss", the state is the party suffering the loss due to the unlawful action committed by another party. As such the state is the party entitled to demand compensation from the party causing such state loss.

Prior to Law Number 30 of 2014 being passed, various legal instruments governing state finances have identified legal subjects that can be held accountable for state losses. These laws include Law Number 17 of 2003 on State Finances, Law Number 1 of 2004 on State Treasury and Law Number 15 of 2006 on the Audit Board. Table 1 presents legal subjects that can be potentially be held accountable for state losses under various Indonesian laws.

According to the above regulatory provisions, it can be concluded that persons that are able to be held accountable for state losses are as follows:

1. Civil servant treasurer;
2. Civil servant other than a treasurer;
3. Other officials, namely state officials and officials undertaking government functions who do not bear the status of state official; and
4. Third parties.

Legal Analysis of Legal Subjects Who Can Be Held Accountable for State Losses

Following the passage of Law Number 30 of 2014, there was an expansion of the categories of legal subjects who can be held accountable for state losses, namely government agencies. Etymologically speaking, the term "government agency" contains two elements, namely "government" and "agency". Nugraha (2005) defines agency in a state administrative law context, which is a group of people forming a unit having the power to achieve a common purpose. Based on such definition the primary characteristic of an agency is collectivism of a group of people conferred with authority as part of a sovereignty.

The definition of governance needs to be differentiated from government. Government is a state entity while governance is an activity carried out by the government (Lembaga Pemilihan Umum, 1978). Government is the entity wielding the power in a state, while governance is the activity or any action undertaken by the government in the exercise of such power. Atmosudirjo in Danesjvara (2005) defines government agency as a public administrative organization. A public administrative organization itself is given the definition as the entire institutional of public administration comprising of ministries, and/or departments, directorates and bureaus, districts, autonomous regions and so forth (Danesjvara, 2005). This definition is closer to the definition of governance in its narrowest sense, which is restricted to executive powers.

Based on the definitions presented by the legal experts, it can be concluded that the definition of government agency is a body or organ of the state as the legal unit with the power and mandated with enforcement authority in carrying its governmental duties (*bestuur functie*) to achieve the objectives of the State.

A major misstep in the drafting of Article 20 paragraph (5) and paragraph (6) of Law Number 30 of 2014 is to confuse the concept of state loss with the concept of public loss caused by the unlawful act by the entity in power, when the two concepts have a very fundamental difference. When public loss occurs due to an unlawful act by those in power, the adversely affected party is the public. Meanwhile, in cases involving state loss, the aggrieved party is the State represented by the relevant government agency. Therefore it does not stand to reason if it is stipulated that a government agency is liable for compensation for a loss that itself is suffering.

Upon deeper analysis of Article 20 of Law Number 30 of 2014, it can be seen that there is ambiguity in the formulation of such article. This can be more clearly seen when we examine the wording of paragraph (1) of the article, which states that supervision by the government internal auditors (APIP) is performed to determine whether there is a misuse of power by the relevant governmental administrative agency and/or official. Further in Article 20 paragraph (2) it is stated that the result of the supervision is limited to three conditions:

1. no error/misconduct has occurred;
2. administrative error has occurred; and
3. administrative error has occurred which causes the State to suffer a loss.

This causes ambiguity as the result of such supervision would not determine whether there has occurred a misuse of power committed by a government administrative body and/or official. The laws even give rise to the further question as to whether or not the administrative error is tantamount to a misuse of power. If the affirmative answer is assumed, then possible outcomes of a supervision conducted by the internal government auditor can be taken as follows:

1. no misuse of authority has occurred;
2. a misuse of authority has occurred; and
3. a misuse of authority has occurred which causes the State to suffer a loss.

Meanwhile, as previously explained, according to Article 17 paragraph (2) of Law Number 30 of 2014, a misuse of authority may be:

1. an action exceeding established authority;
2. an action which crosses multiple authority; and
3. arbitrary action.

The above legal provision clearly states that misuse of authority would not only result in an administrative wrong but can also have larger impact, even as far as corruption in the public sector that affects the state's financial performance (Petrou, 2015). Such a situation can be illustrated in the following example: a Department Head at the Agriculture Office in District A issues an assignment letter to a number of his staff to undertake official travel, even though as per regulation the authority to issue assignment letters only lies with the Head of Office. This means that the Section Head has overstepped his authority by signing the letter. In this case such error can be deemed as being merely an administrative error and can be rectified.

However, if the case involves the Head of Agricultural Office of District A giving orders to the Section Head to falsify proof of an non

-existent official travel so as to allow reimbursement for the cost of the fictitious travel to be enjoyed privately, then such misuse of authority cannot be deemed as being an administrative error, and even can be an indication of corrupt practice. This demonstrates that the provisions of Article 20 paragraphs (1) and (2) of Law Number 30 of 2014 appears to strongly protect public officials by treating all manners of misuse of authority merely as an administrative error.

From a state administration law and state finances perspectives, setting a government agency as the legal subject liable for reinstating state loss is inappropriate. Such a provision is contradictive to the definition of state loss as given in Article 1 sub-article 22 of Law Number 1 of 2004, which establishes state loss as a factual diminishing money, commercial paper, and goods of a definite amount as a result of an unlawful act, whether committed willfully or in negligence. Under this definition, the diminishing money, commercial papers and goods refers to the assets of the State.

The state's position as a legal subject suffering the loss is explicitly stated in the definition of compensation under Article 1 sub-article 16 of Law Number 15 of 2006. Based on such laws, it can surmised that in the event of a loss suffered by the State, the State would be in the place of the aggrieved legal subject (Halim & Bawono, 2011) and therefore such loss must be returned to the State. State as used in the term "state loss" is the entity suffering the adverse effect of the unlawful act committed by another legal person. As such, the State is the party most entitled to claim compensation against such other person who is responsible for causing the state loss to occur.

The argument that the provisions of Article 20 paragraph (5) of Law Number 30 of 2014 is incorrect is based on the definition of government agency itself. The definition of government agency in that law can be found in its Article 1 sub-article 3, namely a unit that undertakes governmental functions, whether within the government or other state institution. As such, a Government Agency can be seen as the representation or manifestation of the State and, therefore, from a state administration law perspective, it can require accountability for state losses from legal subjects that are specified in the state finance laws.

In light of the above, a government agency cannot be made as the legal subject that is responsible for a state loss. Therefore, Article 20 paragraph (5) of Law Number 30 of 2014 which determines that compensation for state losses that are not the result of misuse of authority can be made as the liability of the government agency, is incorrect and creates a contradiction with clauses on state losses contained in state finance laws. Ambiguity between State Loss and Public Loss Arising from Unlawful Act Committed by Government Authorities Under Law Number 30 of 2014.

The provisions of Article 20 paragraph (5) of Law Number 30 of 2014 has created an ambiguity between the concepts of state loss and public loss arising from unlawful acts committed by government authorities. According the concept of state loss, the party subjected to the adverse effect is the state, which in this case is represented by the relevant Government Agency. Meanwhile, according to the understanding of public loss that is caused by an unlawful act committed by the government authorities, the party suffering such loss is the public. However, the term "state loss" as used in Article 20 paragraph (5) has confused the concept of state loss with public loss caused by an unlawful act committed by the government, where in the latter situation compensation can indeed be borne by the State as represented by the relevant Government Agency.

The concept of compensation for public loss that can be imposed on a Government Agency can be found in Government Regulation (PP) Number 43 of 1991 on Compensation and Methods of Implementation at the State Administrative Courts, being the operational regulation of Law on State Administrative Judiciary. The provisions of Article 1 sub-article 1 of the same regulation defines compensation as follows:

> "Compensation is the payment of a certain amount of money, either to an individual person or private legal entity, at the liability of the relevant State Administrative Body pursuant to judgment rendered by a State Administrative Court, arising from a actual loss suffered by the claimant."

According to the above definition, it can be clearly understood that the party suffering the loss is the public, which can consist of individual persons or legal entities. Payment of money to compensate for such loss is imposed on the State Administrative Body or, as the term is used in Law Number 30 of 2014, the Government Agency.

With regard to the imposition of liability for the loss on the relevant Government Agency, further provisions are contained in Article 2 of the aforesaid Government Regulation Number 43 of 1991:

(1) Compensation that becomes the liability of a Central State Administrative Body shall be borne under the National Budget (APBN)
(2) Compensation that becomes the liability of a Regional (Sub-National) Administrative Body shall be borne under the Regional Budget (APBD)
(3) Compensation that becomes the liability of a State Administrative Body other than those specified in paragraph (1) and (2) shall be borne by the budget managed by such body.

Pursuant to the above regulations, it is clear that payment of compensation for public loss resulting from unlawful act committed by government will be imposed on the relevant Government Agency, and such payment will be made by the State and/or regional government to the aggrieved public from the National Budget (APBN) and/or Regional Budget (APBD).

Compensation disbursed out of the National Budget as mentioned above is governed in more detail under Decree of the Minister of Finance Number 1129/KMK.01/1991 on Procedure for Payment of Compensation as Implementation of the Judgment of a State Administrative Court. The relevant clause that needs to be noted in the said Decree is contained in Article 3:

(1) Based on a Decree of Authorization (Surat Keputusan Otorisasi or SKO) as specified in Article 2 paragraph (4), the entitled party shall submit a request for payment of compensation to the State Treasury Office (Kantor Perbendaharaan dan Kas Negara or KPKN) through the local State Administrative Body, by attaching a) the Decree of Authorization, b) original and photocopy of excerpt of the State Administrative Court judgment.
(2) The State administrative Body as referred to in paragraph (1) shall submit a Direct Payment Request (Surat Perintah Pembayaran Langsung or SPPLS) to the paying KPKN.

Additionally, Article 4 paragraph (1) of the above Ministerial Regulation should be noted:

> "The State Treasury Office shall issue a Direct Payment Instruction (Surat Perintah Membayar Langsung or SPMLS) to the entitled party."

Based on such regulation, payment of

compensation out of the State treasury is made by the government agency representing the government to the entitled member of the public, namely the person determined by the State Administrative Court as being the party suffering the loss. As such, if the procedure was to be applied to a case where there occurred a state loss, it would become illogical if a government agency is determined to be responsible for the loss, and subsequently file a request for compensation to only be paid using money sourced the State's funds. This shows that a governmental body cannot be made accountable for state loss, as they are representatives of the State and cannot be liable for a loss that they suffer themselves. The above explanation shows that the provisions of Article 20 paragraph (5) of Law Number 30 of 2014 contains ambiguity as the concepts of state loss and public loss arising from unlawful acts committed by the government.

Analysis of Accountability of Government Officials in the Returning of State Loss Based on The Law Number 30 of 2014

The stipulation of Article 20 paragraph (5) of Law Number 30 of 2014 is intended to extend legal protection to government officials who are acting in good faith (*te goeder trouw*) in discharging their duties. This clause provides such protection by diverting liability to return the loss to the government body if it is found that the state loss was not caused through the misuse of authority by the government official in question. Further, Article 20 paragraph (6) states that the responsibility for reinstating state loss lies with a government official only if such loss was caused by a misuse of authority on the part of the official in question. However, the wordings used in both paragraph (5) and (6) of the article create a legal issue, as they do not align with regulations on state losses as provided in existing state finance laws. Synchronization of laws is very important as regulatory provisions on state finances are all derived from the Indonesia's 1945 Constitution, which confers mandate to legislators to formulate content of the laws that enshrine this aspect (Saidi, 2013).

If Article 20 paragraphs (5) and (6) are interpreted using a historical review (theory of original intent), the government intends for states losses that are not caused by a misuse of authority to become the liability of the institution (office), as set forth in the Annotation of the Law on Government Administration (UI-CSGAR, 2017). However, the idea and intention of the government to save government officials from being liable for state loss that arises other than from willfulness contradicts the ideals of creating a government that is professional and accountable. This can potentially prevent government officials from conducting analysis of the risk of adverse effect on the public that may be brought about by a decision he or she is about to make, as they would not be held liable for compensation. The norms enshrined in Law Number 30 of 2014 must be in line and must contradict regulations on state finances in order to be applicable. Law Number 17 of 2003 and Law Number 1 of 2004 constitute the underlying legal instrument of state financial management (Tim Pengkajian Hukum BPHN, 2011).

The lack of synchronicity between Law Number 30 of 2014 and the aforesaid laws of finance is apparent from two aspects. The first is the provision of Article 20 paragraph (5). If the intention of the article is to provide legal protection to the related government official, there should not be a need to divert the liability of providing compensation to the government institution, as it only makes for a useless and ineffective requirement. The article should only specify that there are certain losses suffered by the state that occur under particular circumstances, or which due to their nature, that cannot serve as grounds for claim of compensation. The clause providing reassignment of liability to the government institution is not consistent with the definition of state loss, according to which the state, represented by the government institution, is placed as the party adversely affected by the loss. Additionally, if the burden of reinstating state loss is placed upon the budget of the government institution whose resources are derived from the State's treasury, such liability would have the effect of reducing or diminishing the performance of the institution. This is due to the fact that there never have been any allocation of budget to compensate for State's financial loss that might occur.

Secondly, Article 20 paragraph (6) exhibits some ambiguity in its wording. The article appears to state that the obligation to reinstate state loss can be imposed only if such condition occurs as a result of misuse of authority, while in fact errors caused by negligence or omission must also be accounted for. This is affirmed in the provisions of Article 59 paragraph (1) and paragraph (2) of Law Number 1 of 2004:

(1) Any loss suffered by the state/regional government caused by an unlawful act or omission of a person must be settled forthwith in accordance with the law.
(2) Treasurers, civil servants other than treasurers, or other officials by reason of their commission of an unlawful act or omission of the obligation that has been placed in their charge, have directly caused financial loss to be incurred by the state, shall be obligated to compensate such loss.

State loss that occurs due to negligence is the key issue, as negligence is clearly not a form of misuse of authority. Nevertheless, a government official who has been found in negligence, in accordance with Article 59 paragraph (1), should still be imposed with the obligation to compensate for the resultant state loss. As such, it can be said that not all actions that do not constitute a misuse of authority should preclude government officials from being obligated to compensate state loss.

In order to avoid a legal loophole, the stipulations of Article 20 paragraph (5) of Law Number 30 of 2014 should be further elaborated in a regulation that specifies additional conditions that must be satisfied in order for a government official to be exempted from the obligation to compensate state loss. In addition to the condition that the loss did not occur as a result of a misuse of authority, it should also be required that the loss was not due to a negligence on the part of the official. Introducing a legal provision to extend legal protection and limitation of liability to public officials is a rational measure. However, if such intention is realized by shifting the liability of compensating for state loss to the government agency, it creates an irrational regulation. Likewise, if the limitation of responsibility to return state loss that should be the liability of the government official is determined merely based on the presence or absence of misuse of authority.

There are at least three conditions whereby a government official can be given a limitation as regards to, or even be fully released from, his obligation to compensate for the state loss that occurred. This is possible in the event the state loss was incurred under specific circumstances, or when the nature of such loss does not allow the official to be held accountable. Such conditions elaborated as follows:

1. Limitation of liability of government officials from an administrative law and criminal law aspect with respect to state losses caused by an unlawful act involving negligence. Where the decision and/or action was made or taken strictly due to a

misjudgment based on incorrect key consideration (*zelfstandingheid der zaak*), the position of a person and the rights of a person (*dwaling in een subjectief recht*), or a misinterpretation of a regulation (*dwaling in het objectief recht*), and misconstruction of one's own authority (*dwaling in eigen bevoeheid*) do not constitute state loss in the context of criminal law, specifically the crime of corruption. Such condition constitute a case of maladministration that can still be subject to claim of compensation.

2. Legal protection for government officials with regard to state loss resulting from a *force majeure* event. Among the examples of this type of events are acts of God, such as fire, natural calamity, power outage, war, invasion, rebellion, revolution, embargo, labor dispute, or sanction imposed on a government (Bishoff & Miller, 2009), which often lead to the state suffering a loss, as when state-owned assets such as buildings or official vehicles become lost or damaged.

3. Legal protection for government officials with respect to state loss occurring due to fiscal risks, namely the risk of a future event causing fiscal strain on the National Budget (APBN) or excessive burden on available funding.

Taking in account the above conditions, there needs to be a clear limitation of liability for government officials who, through their action, have caused a state loss to occur. There should be a clear distinction between responsibilities applicable to officials who caused a state loss in a willful manner and with corrupt intent taking advantage of the opportunity arising during the performance of their duties or for personal motivations (Johnson, Rachel, & Kidd, 2014) and those applicable to officials who have caused state loss purely as a result of their negligence. According to Sianturi (1982), criminal accountability is a form of assessment to test whether a suspect or defendant can be held accountable for a crime that took place.

A decision and/or action by a government official can be qualified as misuse of authority within the context of corruption only if such decision and/or action contains elements of fraud, conflict of interest, illegality, or gross negligence. If these parameters cannot be proven, there are two possible conclusions, namely that such decision and/or action is a pure negligence caused by lack of knowledge, inexperience or unprofessionalism (malpractice) or a failure to perform an obligation, or it can be an unlawful act as defined in Article 1365 of the Indonesian Civil Code. Regulation governing the obligation to pay compensation for loss arising from an unlawful act is an issue that is important to be incorporated in the laws, as fraud committed by people of authority at the national as well as sub-national level has caused significant losses (Puspasari, 2016).

State loss for which accountability can be expected under state administrative laws and state loss that must be answered for in a criminal proceeding, particularly involving corruption, must be differentiated. Simatupang (2011) views that a state loss can be categorized as arising from an unlawful act under the penal code, particularly anti-corruption laws, only if the loss contains the following statutory elements:

a. coercion (*dwang*) or bribery (*omkoperij*), where the state loss was incurred due to coercion being applied by a party, whether directly or indirectly, or due to political pressure, followed by the giving of a promise or an attempt to furnish an object with the intention of influencing an action that result in the diminishment of money, commercial papers, or asset of the State; and
b. a fraudulent act committed through

deceitful methods (*kuntsgrepen*), where the state loss is caused by the use of money, commercial papers, and assets of the state made to falsely appear to be in compliance of the applicable regulations, or when the actual facts or events are inconsistent with the reason for which such money, commercial paper and asset of the state were utilized.

State loss that contains any of the above statutory qualification is declared as null and void by law (*nietig van rechtwege*) and thus can be categorized as an unlawful act under criminal laws, particularly corruption. However, not all unlawful acts are crimes. This is in line with the opinion expressed by Atmasasmita, which states that a maladministration committed by law enforcement or government authority does not automatically constitute corruption even if they have resulted in state loss (Yulius, 2016). Where the state administration official or government official involved acted in good faith in performing their state administrative or governmental tasks in their appropriate capacities, then ideally they cannot be held accountable as perpetrator of corruption (Nodi, 2013). An example of the difference between state loss caused by an unlawful act as a result of negligence and state loss occurring in consequence of a willful act is when a payout treasurer makes an error while preparing the payroll, causing the nominal amount being paid to an employee to become higher than what is entitled. Such excess in payment went unnoticed by the employee who spent the amount in a normal fashion. At some later date the problem was discovered during an audit by the internal auditor (APIP). If the issue is limited to those facts, then the state loss is indeed the result of negligence and only needs to be accounted for administratively by recovering the excess amount and returning it to the state/ regional government's funds. However, the nature of the accountability would be different if the audit conducted by the internal auditor finds that the payout treasurer deliberately overpaid the salary and subsequently require the employee to return the overpaid amount citing the reason that there has been a mistake made in the calculation of the salaries. The returned mount is then spent by the treasurer for his/ her personal needs. If the latter is what transpires, in addition to the loss having to be accounted for administratively by returning it to the state treasury, the action must also be accounted for in a criminal proceeding as corruption.

In a case where state loss occurred as a result of an unlawful act arising from negligence alone should be limited as to the accountability of the official in question in accordance with the applicable procedures under state administrative laws, namely whether through compensation for the loss and/or imposition of administrative sanctions in accordance with the applicable laws. Conversely, if the state loss is proven to have occurred due to an unlawful act with intent, in order to achieve a malicious purpose (*mens rea*), contains an element of fraud, etc., then the official involved shall not only have to provide compensation for the state loss but must be criminally liable. As such, pursuant to Article 20 of Law Number 30 of 2014, which states that government officials can only be imposed with the obligation of reinstating state loss if such loss contains misuse of authority, is erroneous.

CONCLUSION

The legal provisions governing the position of government institutions as party to be held accountable for state loss as laid out in Article 20 paragraph (5) of Law Number 30 of 2014 is not correctly formulated, as the definition of state loss is loss suffered by the state resulting from an unlawful act committed by another party. Meanwhile, a government institution can be defined as the manifestation or representative of the State, thus it would not correct if the state is imposed with the responsibility of providing compensation for a loss that itself had incurred.

The clause that states government officials can only be imposed with the obligation to make compensation for state loss if such loss is brought about by a misuse of authority and in the contrary if misuse of authority was not committed, then the responsibility must be shifted to the government agency in question is erroneous. The existence of this clause makes it appear that government officials can only be held liable for state loss if he or she commits a misuse of authority, whereas loss suffered by a sub-national government due to an unlawful act committed through negligence also cannot be categorized as a misuse of authority while the government involved would still be held liable to reinstate the loss.

Amendments that can be introduced would be to revise or replace the clause as it is presently set forth in Article 20 paragraph (5) of Law Number 30 of 2014, which currently determines that a government institution can be held liable for state loss to become as follows:
"Returning of a state loss as referred to in paragraph (4) shall be for the account of the government official in question regardless whether an administrative error as referred to in paragraph (2) sub-paragraph c occurred without any element of misuse of authority."

Additionally, a revision needs to be effected on Article 20 paragraph (6) of the same law, which should stipulate that state loss occurring as a result of an unlawful act committed in negligence by a government official shall still give rise to the obligation to provide compensation on the part of the government in question, while the wording of the clause may be as follows: *"Returning of state loss as referred to in paragraph (4) shall be the liability of the government official in question if the administrative error as referred to in paragraph (2) sub-paragraph c occurs due to a misuse of authority or negligence."*

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JURNAL
TATA KELOLA & AKUNTABILITAS KEUANGAN NEGARA
Volume 5, Number 1, Jan-Jun 2019, 91–101
e-ISSN 2549-452X
p-ISSN 2460-3937

MEASURING EFFICIENCY AND EFFECTIVENESS OF INDONESIAN REGIONAL DEVELOPMENT BANKS

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ABSTRACT

This study explores the efficiency and effectiveness of Regional Development Banks (BPD) based on the results of performance audit conducted by the Audit Board of the Republic of Indonesia (BPK RI). Performance audit produces conclusion and recommendation on economy, efficiency and effectiveness (3E). BPDs are expected to be regional champions in their respective regions. Data envelopment analysis (DEA) is used to calculate the level of production and operational efficiency of the BPDs while the level of effectiveness is assessed based on the results of performance audit conducted by BPK RI. The results show that both efficiency and effectiveness are not always achieved. This study also identifies BPD that have the highest value of production and operational efficiency and the level of effectiveness. The BPD obtained the highest efficiency and effectiveness values could be used as a reference for other BPDs to make improvements and become a regional champion in their respective regions.

KEYWORDS:
Data envelopment analysis (DEA); production efficiency; operational efficiency; effectiveness

ARTICLE HISTORY:
Received at : 17 May 2019
Published at : 28 June 2019

INTRODUCTION

Based on the article 23E of the 1945 Constitution (UUD 1945), the Audit Board of the Republic Indonesia (BPK RI) is given a mandate to audit the management and responsibility of state finance. According to the article 15 of the Law Number 15 of 2004 on the Audit of Management and Responsibility of State Finance, the audit conducted by BPK consists of financial statements audit, performance audit, and special purpose audit. Based on this regulation, BPK has authority to conduct performance audit on the central government, local governments (provincial, regency, and city), State-Owned Enterprises (BUMN), and Local Government-Owned Enterprises (BUMD).

BUMD is a business entity which the local government has majority ownership. According to Local Regulations (Perda), BUMDs can be in the form of limited corporations (Perseroan Terbatas) and local company (Perusahaan Daerah). The objectives of BUMD are to produce profit and provide economic benefits for local economic development. The number of BUMD according to Financial Statistics of State Owned Enterprises and Regional Owned Enterprises 2017 of Statistics Indonesia is about 782 BUMDs, consist of 115 BUMDs owned by provincial goverments and 667 BUMDs owned by regency and city goverments (Statistics Indonesia, 2018). There are 16 types of businesses of BUMD such as financial services, trading, transportation, and others (Statistics Indonesia, 2018).

One form of BUMD business at the provincial level is Regional Development Bank (BPD). There are 26 BPDs throughout Indonesia. As of May 2018, BPD assets have reached Rp649.19 trillion or increased by 5% compared to the position in May 2017 on Rp618.26 trillion. In May 2018, BPD's loan position reached Rp401.53 trillion, an increase of 9.28% compared to the position in May 2017 of Rp367.42 trillion. While the position of the Third Party Funds (DPK) of BPD throughout Indonesia in May 2018 reached Rp517.12 trillion, or increased by 2.53% compared to the position in May 2017 of Rp504.34 trillion (Investor Daily Indonesia, August 2018).

BPD is expected to support local economic growth. Bank Indonesia had issued the BPD Regional Champion (BRC) as the initiation of increasing the role of the BPD for local economic growth and strengthening the national banking structure. The BRC consists of three main pillars, namely (1) maintaining and improving banking resilience; (2) the role of agent of local development; and (3) improvement of the ability to serve the community, especially in the regions (Investor Daily Indonesia, 2018). While the The Financial Services Authority (OJK) in 2015 also issued a BPD transformation program, which consisted of: (1) increased competitiveness of BPD; (2) strengthening institutional resilience; and (3) increasing BPD contribution to the local economy (OJK, 2015).

This study is aimed to evaluate the efficiency and effectiveness of BPDs. The efficiency of BPDs is assessed based on their production and operational efficiency whereas the effectiveness of BPDs is evaluated based on their ability to implement development programs. This study seeks to answer the following questions:

1. What are the level of overall performance of BPDs?
2. What are the relative production efficiency and operational efficiency of the BPDs?
3. Are BPDs effective in implementing local economic development programs?
4. What is the classification of BPD in terms of efficiency and effectiveness?

LITERATURE REVIEW

Data envelopment analysis (DEA) is a well extablished framework to asses the efficiency of banks (Asmild, Paradi, Reese, & Tam, 2007, Tsolas, 2010). Barth, Lin, Ma, Seade, and Song (2013) use DEA to study the impact of bank regulation, supervision, and monitoring on bank efficiency. They find regulations that restrict bank activities are negatively associated with bank efficiency and stringen capital regulation is positively associated with bank efficiency. Kumar and Gulati (2010) investigate the efficiency and effectiveness of Indian banks by using DEA. They find positive correlation between effectiveness and performance indicators. Akomea-Frimpong (2017) finds that foreign banks are not necessarily more efficient than their domestic rivals. Erasmus and Makina (2014) showed that the global financial crisis did not affect the efficiency of the majority of the banks. Since the banks were efficient prior the crisis, it could be argued that their efficiency was one of the contributory factors for their resilience during the global financial crisis. All these studies show the importance assessing the efficiency of a bank in terms of costs, technical operations and all other areas which will help to create competitive advantage over their competitors.

In Indonesia, the study conducted by Abidin and Endri (2009) shows that large BPDs are more efficient than medium and small BPDs. Consistent with Abidin and Endri (2009), Sparta (2017) finds BPDs that have larger assets will have a higher level of efficiency. The results of these studies indicate that the size of BPD, as measured by asset, determines the efficiency of the BPD. Akbar and Djazuli (2014) conducted study that shows the efficiency of BPD tends to be higher in the era after regional autonomy when compared to the before regional autonomy period. The results of this study indicate that there is a relationship between provincial government regulations in the era of regional autonomy towards the level of BPD efficiency. Study conducted by Lisdayanti, Daniel and Anindita (2013) shows that BPDs have not been effective in supporting development in their region.

Previous studies by Abidin and Endri (2009), Sparta (2017), Akbar and Djazuli (2014), and Lisdayanti et al. (2013) on bank performance in Indonesia mostly focus on efficiency and do not investigate the correlation between efficiency and effectiveness. Therefore, there is a room to make a contribution by investigating the performance of bank and investigating efficiency and effectiveness relationship. It is interesting to explore whether an efficient BPD is also effective.

Rai (2008) defines performance audit as an audit conducted objectively and systematically against various types of evidence to assess the performance of auditees in terms of economy, efficiency and effectiveness, with the aim of improving performance and increasing public accountability. The Standard of State Financial Audit states that the objectives of a performance audit are to provide conclusions of the economic, efficiency and/or effectiveness aspects of a state financial management, as well as to give recommendations to improve these aspects (BPK, 2017). The International Standards of Supreme Audit Institutions (ISSAI) 3000 defines performance audit as an independent examination of the efficiency and effectiveness of government activities, programs and organizations, taking into account economic aspects, with the aim of encouraging improvements (INTOSAI, 2016).

The result of a performance audit is the conclusion related to economy, efficiency and effectiveness (BPK RI, 2017). Mardiasmo (2009) describes economy as obtaining input with certain quality and quantity at the lowest price or minimizing input resources. Efficiency is defined as achieving maximum output with certain inputs or using the lowest input to achieve a certain output and effectiveness is defined as the level of output that reaches the set target (Mardiasmo, 2009).

There are various approaches to measure banking efficiency. Among others are production approach, intermediation approach, and operations approaches. The differences in each approaches can cause of input/output variable determination (Depren & Depren, 2016). This study uses production and operation approaches, considering that both approaches are closer to the function of driving economic growth.

The production approach is used to measure the efficiency of a bank in managing savings accounts and loans. This approach defines output as a total of savings accounts. This approach also describes banks as service producers for depositors and borrowers using all available production factors such as labor and other physical capital. Production approach was initiated by Todhanakasem, Lynge, Primeaux, and Newboldet (1986) also Bell and Murphy (1968), which consider banks as producers of savings accounts for depositors and financing accounts for borrowers. This approach is suitable for measuring the internal efficiency of bank branches (Freixas & Rochet, 1998). The operational approach compared costs incurred with incomes earned. This approach is equal to the concept of matching cost against revenue in accounting.

RESEARCH METHODS

This study is based on BPK audit report on the performance of BPDs. The audit was carried out on 13 BPDs covering the 2014 financial year and the first semester of 2015. The audit used Data Envelopment Analysis (DEA) to find the efficiency of BPDs and qualitative analysis to investigate the effectiveness of BPDs in implementing local economic improvement programs.

DEA is basically developed on the basis of linear programming techniques. To measure production efficiency, the input variable consists of personnel expense, capital, and interest expense and the output variables consist of deposits and loans. Whereas for the measurement of operational efficiency, the input variable consists of personnel expense, interest expense, other operating expenses (excluded personnel expense and interest expense) and the output variable consists of interest income and other operating income.

BPK uses seven criterias to assess the effectiveness of BPDs. These criteria are (1) the BPD has adequate human resources (HR); (2) marketing communication (marketing activities) has responded to the development of bank business and dynamic competition; (3) BPD has adequate customer service quality; (4) BPD has adequate collected funds from third parties; (5) BPD sets a competitive interest rate; (6) BPD has an adequate capital structure; and (7) the BPD has provided sufficient loan (BPK, 2015a, 2015b, 2015c, 2015d, 2015e, 2015f, 2015g, 2015h, 2015i, 2015j, 2015k, 2015l, 2015m).

The auditor classified output of DEA into three categories: efficient, quite efficient and inefficient. While the effectiveness of BPDs is classified as effective, quite effective, not yet effective and ineffective. Measurement of BPDs performance is conducted by giving score on the level of efficiency and effectiveness. The level of efficiency would be rated on a scale of one to three while the level of effectiveness would be rated on scale of one to four as shown on table 1. Overall performance of a BPD is measured by using the formula (1):

PE : production efficiency;

$$Score = (PE * EF) + (OE * EF) + (PE * OE)$$

EF : effectiveness;

OE : operational efficiency.

Source: *BPK (2015a).*

RESULTS AND DISCUSSION

Efficiency of BPDs

DEA Program produces efficiency score for every BPD. The efficiency score is classified into three categories presented in table 2. A BPD will be classified as inefficient if the score of production efficiency is below 81.60% , quite efficient if the score is 81.61%-99.99%, and efficient if the score is 100%. Likewise, a BPD will be classified as inefficient if the score of operational efficiency is below 90.45% , quite efficient if the score is 90.46%-99.99%, and efficient if the score is 100%.

Figure 1 presents the number of BPDs based on the level of operational and production efficiency. There are five BPDs that are inefficient from operational perspective and six BPDs that are inefficient from production perspective. On the other hand, there are only three BPDs that are efficient from production perspective and five BPDs that are efficient from operational perspective.

Based on BPK's audit reports (BPK, 2015a,

Table 1. Weight Assessment

Efficiency	Weight	Effectiveness	Weight
Efficient	3	Effective	4
Quite Efficient	2	Quite Efective	3
Inefficient	1	Not yet Effective	2
		Ineffective	1

Source: *BPK (2015a)*

Table 2. Efficiency Classification

Classification	Production Limit		Operational Limit	
	Lower	Upper	Lower	Upper
Inefficient	63.20%	81.60%	80.90%	90.45%
Quite Efficient	81.61%	99.99%	90.46%	99.99%
Efficient	100.00%	100.00%	100.00%	100.00%

Source: *BPK (2015a)*

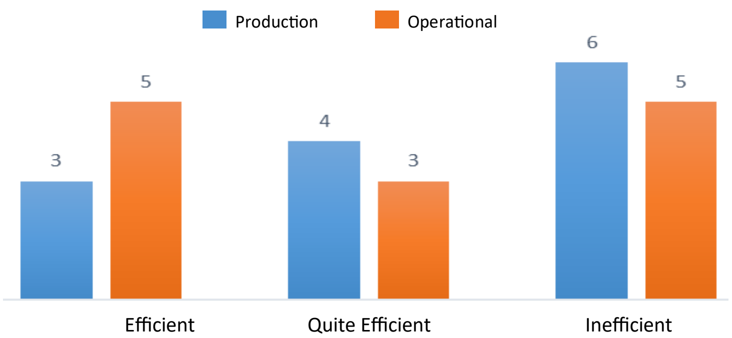

Figure 1. The Number of BPDs Based on the level of operational and production efficiency

2015b, 2015c, 2015d, 2015e, 2015f, 2015g, 2015h, 2015i, 2015j, 2015k, 2015l, 2015m), the causes of production inefficiency are the lack of deposits outside of local government funds, non-optimal loan distribution, non-optimal investment placement, high labor costs, and high interest costs in raising funds. While the causes of operational inefficiency are high labor costs, high interest costs in raising funds, and high general also administrative costs.

The Effectiveness of BPDs

The effectiveness classification on BPK's audit reports consist of four tier, as presented in table 3.

The level of BPD effectiveness in implementing programs that can encourage local economic growth can be seen in figure 2. As shown on the figure 2 there is only one BPD that is effective. The majority of BPDs fall into category quite effective (7 BPDs) and not yet effective (4 BPDs). The causes of ineffectiveness identified are (1) the lack of optimal involvement of BPDs in the storage of Local Government Cash Accounts, Local Public Service (BLUD) Accounts and BUMD Accounts; (2) the less optimal role of the BPD in the development and capacity building of the Micro, Small, and Medium Enterprise (MSME) segments; and (3) the inadequate role of the BPD in the implementation or realization of capital expenditures.

Table 3. Effectiveness Classifications

Classification	Production Limit	
	Lower	Upper
Ineffective	0	24.99
Not yet Effective	25	49.99
Quite Effective	50	74.99
Effective	75	100

Source: *BPK (2015a)*

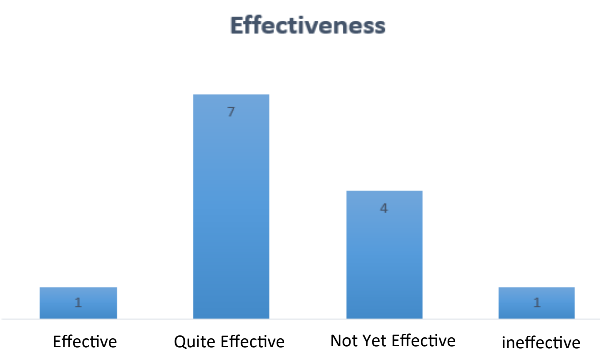

Figure 2. Effectiveness Level of BPD in Implementing Programs that Can Encourage Local Economic Growth

Is An Efficient BPD Also Effective?

The weighting results of production efficiency, operational efficiency and subsequent effectiveness are included in the scatter plot to find out which BPD has a higher efficiency and effectiveness level than average. Scatter plots of production effeciency and effectiveness can be seen in the figure 3.

As shown in figure 3, there are five BPDs in the first quadrant. These BPDs (BPD.02, BPD.05, BPD.06, BPD.07, BPD.08) are considered effective and efficient in production. In contrast, there are two BPDs (BPD.12 and BPD.13) that are efficient in production but not effective.

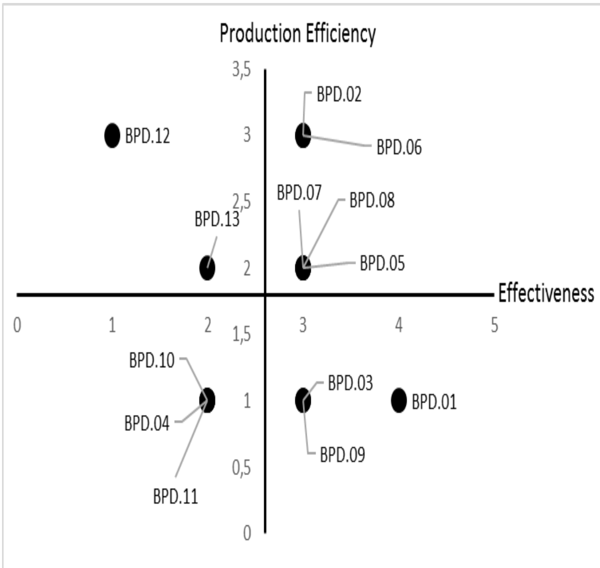

Figure 3. Scatter Plot Effectiveness and Production Efficiency

Scatter plots of operational effeciency and effectiveness can be seen in the figure 4. There are two BPDs in the first quadrant. These BPDs (BPD.05 and BPD.09) are considered effective and efficient in their operational activities. In contrast, there are three BPDs (BPD.04, BPD.10, BPD.11) that are efficient in operational activities but not effective.

Scatter plots of production efficiency and

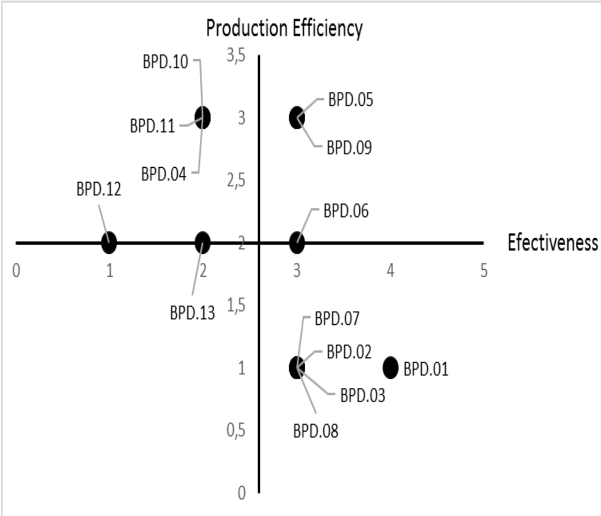

Figure 4. Scatter Plot Effectiveness and Production Efficiency

operational effeciency can be seen in the figure 5. Figure 5 shows there is only one BPD in the first quadrant. This means there is only one BPD is considered efficient in its operational and production activities. In contrast, there are two BPDs (BPD.01 and

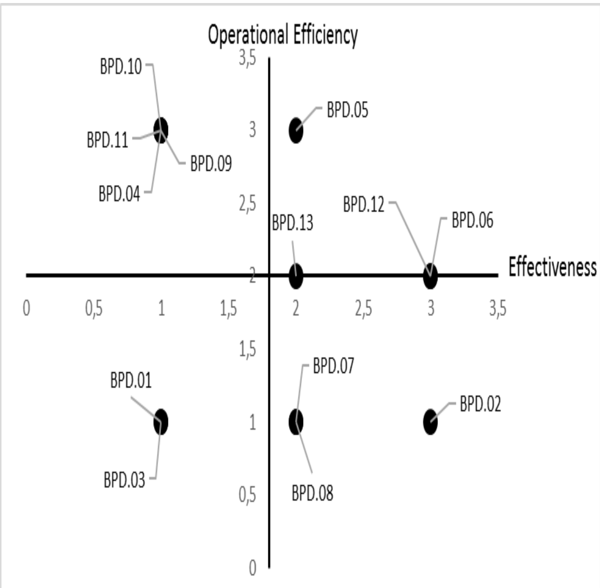

Figure 5. Scatter Plot Effectiveness and Operational Efficiency

BPD.03) that are inefficient in operational and production activities.

Overall Performance of BPDs

This study is using Spider Diagram and the formula to measure the overall performance of BPDs. The spider diagram shows the comparison between operational efficiency, production efficiency, and effectiveness. The BPD's production and operational efficiency based on DEA Program and the level of effectiveness based on BPK's audit reports is presented in figure 6.

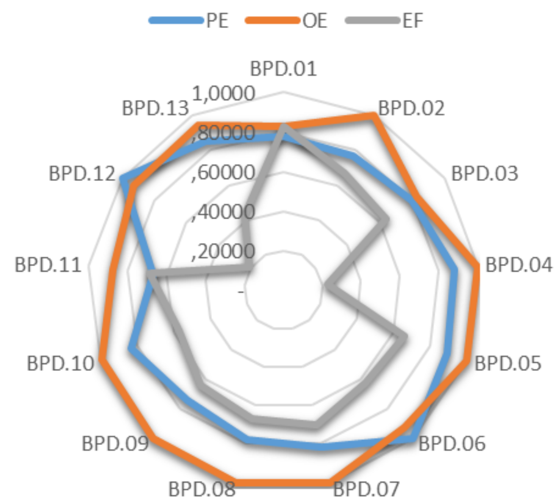

Figure 6. Comparison of Operational Efficiency, Production Efficiency, and Effectiveness

Generally, the value of operational efficiency is higher than production efficiency and effectiveness. However, a BPD that has a high score of operational efficiency is not always has a high score of production efficiency and effectiveness. The total score of effectiveness and efficiency is calculated using formula (1) and the result is presented in figure 7.

There are two BPDs (BPD.05 and BPD.06) that have the highest score. Based on the three scatter plots analysis (figure 3, figure 4 and figure 5), BPD.05 is in the first quadrant which shows that BPD.05 has a higher level of effectiveness and efficiency than the other

BPDs. Therefore, BPD.05 can be used as a reference for other BPDs in an effort to improve their effectiveness and efficiency.

Based on the score produced by DEA Program, BPD.05 gets a production efficiency score of 0.896 so that BPD.05 falls into quite efficient category. BPD.05 did not achieve efficient level because:

1. BPD.05 did not have performance-based human resources planning and policies;
2. BPD.05 has not have a robust marketing planning;
3. Determination and awarding of deposit interest rates at BPD.05 has not complied with the provisions and results in increasing the ratio of operating costs to operating income;
4. Low Cost Deposit activities on BPD.05 were not sufficient;
5. High dependency to a few high profile depositors;
6. Giving special interest rates to local government deposit accounts above market interest rate.

BPD.05 gets an effectiveness level of 66% so that BPD.05 is included in the quite effective category. BPD.05 did not achieve effective level because:

1. BPD.05 has not collected information about forecasting of cash deposit and withdrawl from local government treasurer;
2. The management of regional cash accounts (regonal government treasurer/ treasurer of receipt/treasurer of expenditure), cash accounts of BLUD and cash accounts of BUMD is not optimum;
3. The development programs in strengthening the capacity of the MSME segment have not been fully supported by adequate Standard Operating Procedures (SOP) and human resources;
4. The role of BPD.05 in carrying out the development and strengthening of the capacity of the MSME segment and other productive segments has not been optimum;
5. BPD.05 has not been optimum in planning its activities to participate in financing local government capital expenditure;
6. BPD.05 has not been optimum in financing local government capital expenditure.

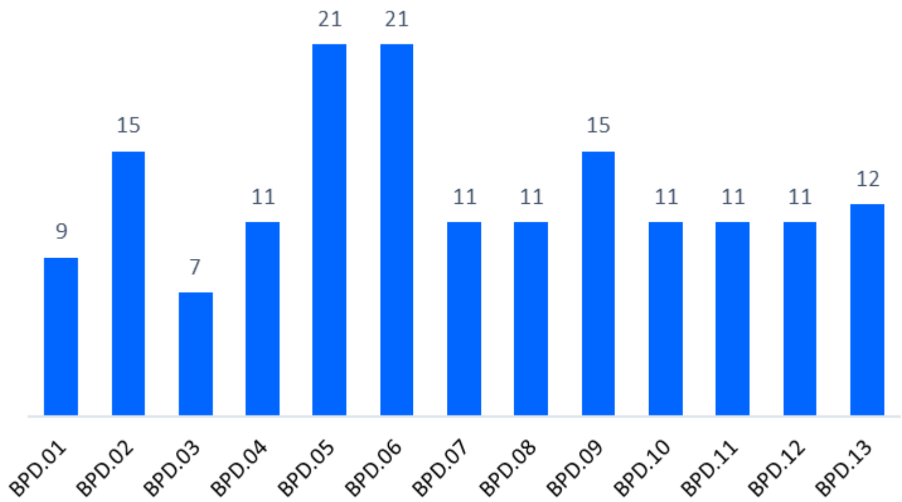

Figure 7. Score of Effectiveness, Production and Operational Efficiency

CONCLUSION

There is a BPD that is relatively higher in efficiency compared to other BPDs but has not been effective individually. Internal improvement needs to be conducted so that the relative efficiency obtained is in line with individual effectiveness. In total assessment, the BPD obtained the highest efficiency and effectiveness values could be used as a reference for other BPDs to make improvements and become a regional champion in their respective regions.

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GOVERMENT
REPORT
tranparency
accountability
Corruption

AUTHOR GUIDELINES

General Requirements

This journal broad scope provides a platform to publish primary and secondary research (review articles) in areas of accounting (public sector accounting), auditing, governance and accountability of state finances, public administration policy related to state finances, and state finance law. The article should be free from plagiarism and written accordingly under the guidelines from JTAKEN. The article has never been published in any others publication media or publishing houses, either in printed or electronic form. The article can be written both in English or Bahasa Indonesia, but preferably in English.

Submission

1. The paper used by the author should be prepared in A4 paper.
2. The article published in TAKEN should be accompanied by Curriculum Vitae (CV) & Statement of Authenticity and Copyright Release. Template is available online at jurnal.bpk.go.id.
3. The article should be submitted online via journal website (jurnal.bpk.go.id).
4. The length of the article around 20-25 pages, including figure, graphic, or table.

The Article Guidelines

1. Research Article Structure
   a. Article Title
      - Briefly describe the substance of article, no more than 15 words, 18 point Calibri, UPPERCASE, bold, centered, exactly 16 point line spacing, 0 point spacing before and after.
      - Article in Bahasa Indonesia, titled in Bahasa Indonesia, followed by translation title in English.
      - Translation title uses 16 point Calibri, italic, UPPERCASE, bold, centered, exactly 16 point line spacing, 0 point spacing before and after.

   b. Authors
      - This line consists of the author's name (full name with no abbreviations) and the author's affiliation along with the address and email address.
      - Authors' name is written using 11 point Calibri and centered below the title
      - If the author is more than one person, they should be separated with a comma (,).
      - If the address more than one, it should be marked with an asterisk (*) and followed by the current address.
      - Author's address and email using 10 point Calibri, exactly 15 poin spacing, 0 poin spacing before and after.

   c. Abstract and keywords
      - The abstract should concisely inform the reader about the research purpose, its background, methods, findings, and value or conclusion.
      - For article using Bahasa Indonesia, abstract is written in two languages (Bahasa Indonesia and English). The abstract in English is presented first, written in italic, while abstract in Bahasa Indonesia is written not in italic.
      - An abstract consists of no more than 200 words in English and 250 words in Bahasa.
      - Abstract using 10 point Georgia and single line spacing.
      - Keywords in abstract consist of 3-6 words, separate with a semicolon (;).

   d. The body of article

      The body of article concists of introduction, research method, result and discussion and conclusion. The body of article is written as follows:

      - Using 11 point Georgia, exactly 15 point line spacing, before 8 point and after 8 point, 2 cm for top and inside margin and 2.5 cm for bottom and outside margin.
      - Foreign terms should be written in italic.

- Abbreviations should be followed with explanation when the first time mentioned except for the unit of measurement.

e. Introduction

The introduction must contain (shortly and consecutively) a general background, objective, literature review (state of the art) as the basic of the brand new research question, statements of the brand new scientific article, main research problems, and the hypothesis (optional). The introduction contains previous similar research and the differences with the present research as well as the contributions given.

f. Research Method

In general, research methods include framework, data collection method, data analysis method, location and time of research. The research method describes the type, data source, and variable definition. The method also provides detailed descriptions so that other authors can assess and duplicate the procedure.

g. Result and Discussion

This part consists of the research results and how they are discussed. Research results can be presented in table or figure followed with information that easy to understand. In the discussion section it is stated that there is a relation between results and basic concepts or the research hypothesis so that it can be seen its suitability and contradiction with other research. The discussion also explains the limitation of the research and its implications both theoretically and by application.

h. Conclusion

This is the final part containing conclusions and advices. The conclusions will be the answers of the hypothesis, the research purpose and the research findings. The advices are based on the result of the analysis and conclusion made and also associated with further ideas from the research.

i. References

- Author must cite the publications on which the article work is based. Cite only items that the author have read.
- Primary references should be ±40%-80% from all references cited.
- References should be taken from the last ten years.
- The references use Georgia 11 point in indentation special hanging paragraph format, exactly 15 point line spacing, 8 point before and after, the upper and right borders are 2 cm each, while the left and bottom borders are 2,5 cm each.
- All references must be written in American Psychological Association (APA) style and listed in alphabetical order. The references should use a reference management software such as Mendeley, End Note, Zotero, etc.

j. Appendices/Acknowledgements

Appendix (es) can be included if necessary. Author can only write essential acknowledgments for those who have contributed in the research.

2. Non research (review) article structure consists of article title, authors, abstract and keywords, introduction, result and discussion, conclusion, references, appendices/acknowledgements.

3. Heading

Heading should be made in three levels. Level four cannot be accepted.

- Heading level 1: UPPERCASE, left aligned, bold, 18 point Calibri, exactly 15 point line spacing, 8 point spacing before and after.
- Heading level 2: *Capitalize Each Word*, left aligned, bold, 11 point Georgia, exactly 15 point line spacing, 8 point spacing before and after.
- Heading level 3: *Sentence Case*, left aligned, bold, italic, 11 point Georgia, exactly 15

point line spacing, 8 point spacing before and after.

- Heading level 4 is not recommended.

4. Table

- Table placed left aligned.
- Table title placed above the table, left aligned, 10 point Calibri, exactly 15 point line spacing.
- Table content using 9-10 point Calibri, exactly 12 point line spacing, 0 point spacing before and after.
- Footnotes below the table using 9 point Calibri.
- Number of table is identified using Arabic numerals (1, 2, 3,...).
- “Table” and “Number” written in bold, while table title written in normal format.
- Source and information placed below the table, left aligned, italic, 9 point Calibri.

5. Figure

- Figure can be a grafic, matrix, picture, diagram, and others, placed centered in page.
- Figure title written below the figure, using 10-11 point Calibri, exactly 15 point line spacing, left aligned. “Figure” and “Number” written in bold, while the content written in normal format.
- Footnotes below the figure using 9 point Calibri.
- Number of figure is identified using Arabic numerals (1, 2, 3,...).
- Source and information placed below the figure title, left aligned, italic, 9 point Calibri.
- Figure should be in black and white with extension .jpg or .tif. If it is made in color to explain meaning, it must provide the respective high resolution figure minimum 300dpi.

6. Citation Format

Authors should ensure that every reference cited in the text appears in references and vice versa. All references cited should follow APA referencing style and the formatting guide as follows:

a. References to previous research must be made in text with a year-old system on one of two forms, for example: Andrianto (2007) or (Andrianto, 2007).

b. If the reference used is more than one, it should be mentioned together with the arrangement in the order of date, for example: (Mardisar & Sari 2007; Solomon, 2010; Muljono, 2012).

c. If there are more than 2 (two) authors, then the author's name must be followed by "dkk" for article in Bahasa Indonesia or "et al." for article in English.

There are two types of references, those are electronics and non-electronics sources. The reference examples are as follows:

a. Book

1) Without the author’s name

Employment the professional way: A guide to understanding the Australian job search process for professionally qualified migrants. (2000). Carlton, Australia: Australian Multicultural Foundation.

2) One author

Saidi, M. D. (2011). *Hukum keuangan negara*. Jakarta: Raja Grafindo Persada.

3) Two authors

Cooper, D. R., & Schindler, P. S. (2001). *The definition of disability in Australia: Moving towards national consistency*. Canberra, Australia: Australia of Health and Welfare.

4) Three to five authors

Guerin, M., Labor, K., Morgan, B., Reesman, L., & Willingham, P. (2005). *Introduction to chemical engineering*. New York, NY: McGraw-Hill.

5) Six or more authors

List the first six authors,.....and ended the last author without "&".

Rodgers, F. H., Choi, M. J., Angeli, L. L., Harland, A. A., Stamos, J. A., Thomas, S. T., . . . Rubin, L. H. (2009). *Website usability for the blind and low-vision user*. Mason, OH: Thomson South Western.

b. E-book

1) Articles written in English

Speed, H. (2004). *The practice and science of drawing*. Retrieved from http://www.gutenberg.org/etext/14264.

2) Articles written in Bahasa Indonesia

DeHuff, E. W. (2011). Taytay's tales: *Traditional Pueblo Indian tales*. Diakses dari http:// digital.library.upenn.edu/women/ dehuff/taytay/taytay.html.

c. Books published by organizations or institutions

Ministry of Health Malaysia. (2011). *AIDS prevention manual*. Putrajaya, Malaysia: Pelanduk Publication.

d. Journal Article

1) Printed Edition

Gumanti, T.A. (2001). Earnings management dalam penawaran saham perdana di Bursa Efek Jakarta. *Jurnal Riset Akuntansi Indonesia*, *4*(2), 165-183.

Journal with volume

Parker, G., & Roy, K. (2001). Adolescent depression: A review. *Australian and New Zealand Journal of Psychiatry*, *35*, 572-580.

2) Online Edition

Article written in English

Without DOI/Digital Object Identifier:

Banham, G. (2001). Transcendental philosophy and artificial life. *Cultural Machine*, *3*. Retrieved from http:// www.culturemachine.net/ index.php/ cm/article/view/286271.

DOI format:

Kharismawati, I. (2017). Thermoacoustic refrigerator system performance using the pvc (polyvinyl chloride) stack by power input variation. *Jurnal Neutrino*, *9*(2), 32-28. doi: 10.18860/neu.v9i2. 4073.

Article written in Bahasa Indonesia

Without DOI:

Aisyah, R. H. I., & Minarno, N. B. (2014). Model design of local government policy in controlling the finance of the state to build good governance. *Academic Research International*, *5*(1), 351-358. Diakses dari http://search.proquest.com/ docview/1515638207?accountid=86413.

DOI Format:

Anindyawati, T. (2009). Prospek enzim dan limbah lignoselulosa untuk produksi bioetanol. *Berita Selulosa*, *44* (1), 49-56. doi: 10.25269/ jsel.v44i01.149.

e. Thesis/Dissertation

1) Unpublished thesis/dissertation

Santini, S. N. (2008). *Research methods for business: A skill building approach*. (Unpublished master's thesis). University of Malaya, Kuala Lumpur, Malaysia.

2) Thesis/dissertation from online database

Biswas, S. (2008). *Dopamine D3 receptor: A neuroprotective treatment target in Parkinson's disease*. Retrieved from ProQuest Digital Dissertations. (AAT 3295214).

f. Magazine

For magazines that are published monthly, the date of publication consists only of year and month. But for magazines that are published weekly, the exact date of publication is provided.

Martinez-Conde, S., & Macknick, S. L. (2007, August). Windows on the mind. *Scientific American*, *297*(2), 56-63.

g. Newspaper

1) Printed Edition

Scultz, S. (2005, December 28). Calls made to strengthen state energy policies. The Country Today, p.11.

2) Online Edition

Tempo. (2014). Menkeu paparkan manfaat harga BBM naik ke investor. Retrieved from https://bisnis.tempo.co/read/news/2014/11/26/090624626/menkeu-paparkan-manfaat-harga-bbm-naik-ke-investor.

Parker-Pope, T. (2008, May 6). Psychiatry handbook linked to drug industry. *The New York Times*. Retrieved from http://www.nytimes.com.

h. Internet Documents

Dawson, J., Smith, L., Deubert, K., & Grey-Smith, S. (2002). *Trek 6: Referencing, not plagiarism*. Retrieved from http://www.academicworld.com/referencing-not-plagiarism.html.

7. The Editorial Board and Managing Editor reserves the right to amend, refine the article as long as it does not alter the substance of the article. The article which is inappropriate with the JTAKEN writing guidelines will be returned to the author before the reviewing process.

PUBLISHING WITH JTAKEN:
STEP BY STEP

The author submits the article via Open Journal Systems (OJS) on jurnal.bpk.go.id page. To make submission, the author must have a user account and registered as a user.

User Registration

a. Registration process is started by clicking "register with this site" button on the register page.

Figure 1. JTAKEN Home Page for Registration

b. Authors are required to fill out a form that includes language, username, password and profile.

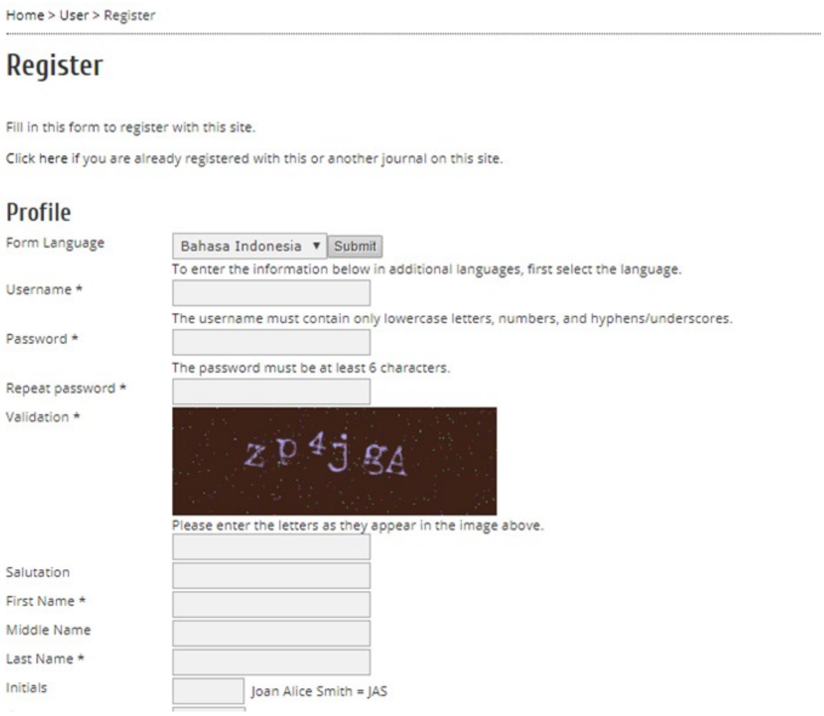

Figure 2. Author Registration Form Page

c. Click "Confirmation" to get your username and password sent to author's email. Next on "register as" section, click the "reader" and "author" then click "register" to complete registration.

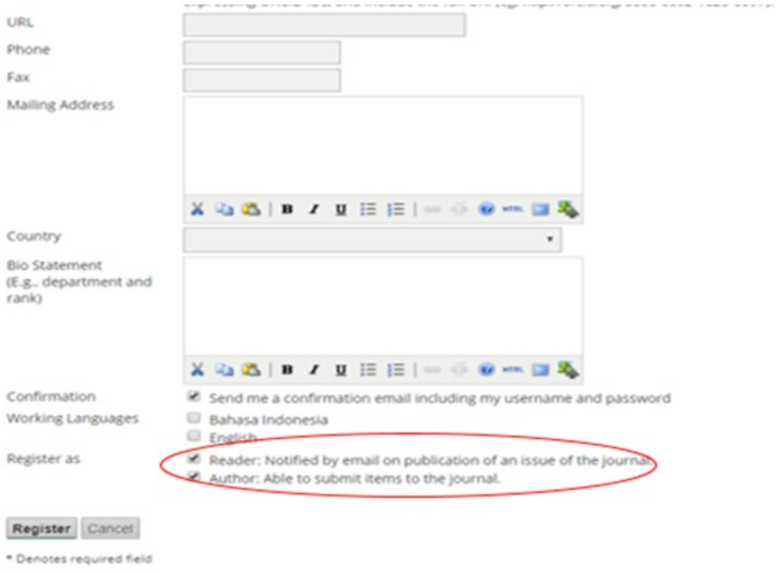

Figure 3. Author Registration page

Article Submission

These are the following steps to make an online submission for the article:

a. After log in you will be directed to your Author's User Home Page. To start the submission, click "New Submission".

Figure 4. Page "New Submission"

b. Article submission consists of five steps, including start, upload submission, enter metadata, upload supplementary files, and confirmation. At the first step, the author can download the Curriculum Vitae (CV), and Statement of Authenticity and Copyright Release. Besides, the author can give comments to the Editor before click "Save and continue".

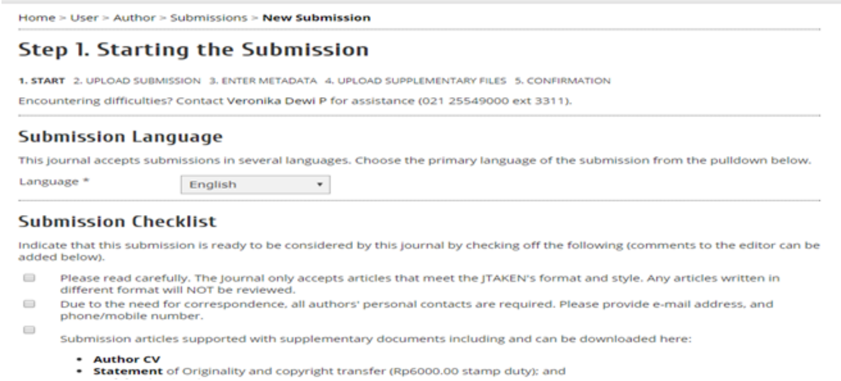

Figure 5. “Starting the Submission” page

c. The second step is uploading the article file. This page provide instructions to submit the article. The type of uploaded is Microsoft Word.

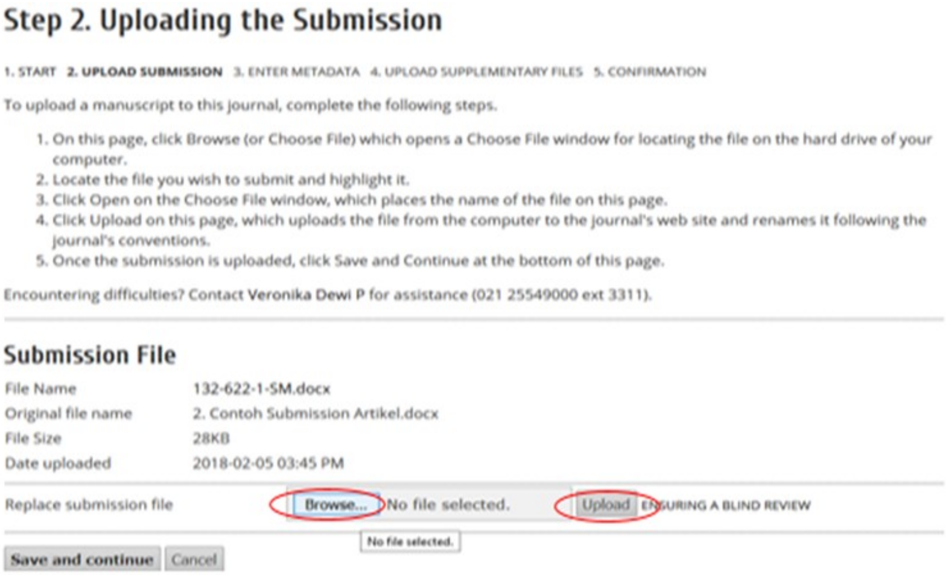

Figure 6. “Uploading the Submission” Page

d. After that, the author must fill the article metadata. Metadata is information about the submitted articles, including author information, article title and abstract, indexation, and references that has been used. Author can change metadata during the article review process. The more complete metadata, the easier the author's indexing/citation process will be. Some points that must be considered in filling metadata are:

- Author whose name consists of one word have to fill in his/her name in last name. First name can be filled with repetitions of last name or filled with dots or hypens.
- If the author is more than one person, then click the "Add Author" button to add Author’s information.
- By clicking the up and down arrows (↑ ↓), articles with multiple authors can be arranged by the author's order. The arrow will change the author’s position of the first, second, and so on.
- At the end of each author column, author can find the delete function.
- The author has to write abstract using the language according to the article written.
- List the “keywords” in keywords column at the indexing section and separated with a semicolon.
- Fill in all references or bibliography that become references to journal articles. Then click “Save and Continue” to proceed to the next step.

Figure 7. Page to add author

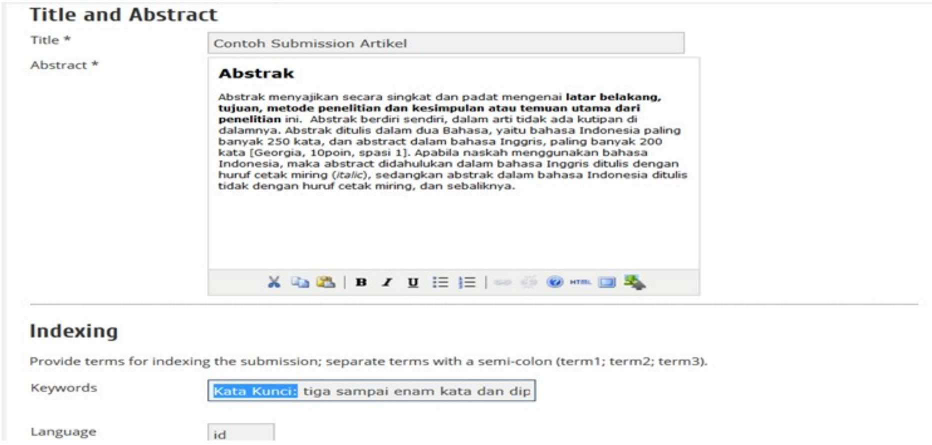

Figure 8. “Title, Abstract, Keywords, and Reference” Page

e. On the fourth step, author must upload supporting documents such as research instruments, research data, figures, or tables if needed. The author also uploads the required supporting documents such as Curriculum Vitae (CV), Statement of Authenticity and Copyright Release. Then click "Save and Continue" to proceed to the next step.

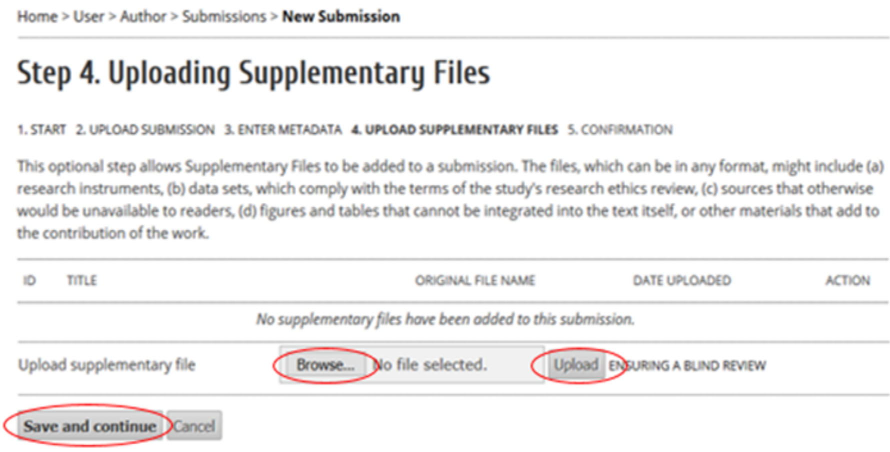

Figure 9. “Uploading Supplementary Files” Page

f. On the final step, the summary of all files uploaded will be displayed. To complete the article submission, click "Finish Submission".

Figure 10. “Finish Submission” Page

Monitoring The Submitted Article

After doing the five steps, the author can see the status of article by clicking "active submission" on the user home page. On this page, you can see the status of the article is "awaiting assignment" (waiting for assignment). Furthermore, the progress status of the article can be seen on this page too.

The Steps Passed By Each Submitted Article Are:

1) Awaiting Assignment: the submitted article is waiting to be examined by the editor or section editor. The author cannot delete or cancel submissions from the system if the article is proposed in this status.

2) Queued for Review: the article is in the queue for review process. The author will receive a notification about the results of the review decision.

3) Queued for Editing: the review process has been completed and the article is in editing process.

4) In review: the article is in the review process which will result in a decision:

    a) Revision required: articles need minor revision by the author and must be sent back to the editor.

    b) Resubmit for review: articles need major revision and reviewers need to review again.

    Both of those decisions can be changed to accepted or declined.

    c) In editing: accepted article without revision and in editing process.

5) Decline: if the article is rejected, the article will be automatically removed to archive. If the author wants the article to be accepted then the author has to resubmit the article according to the advice of the reviewer.

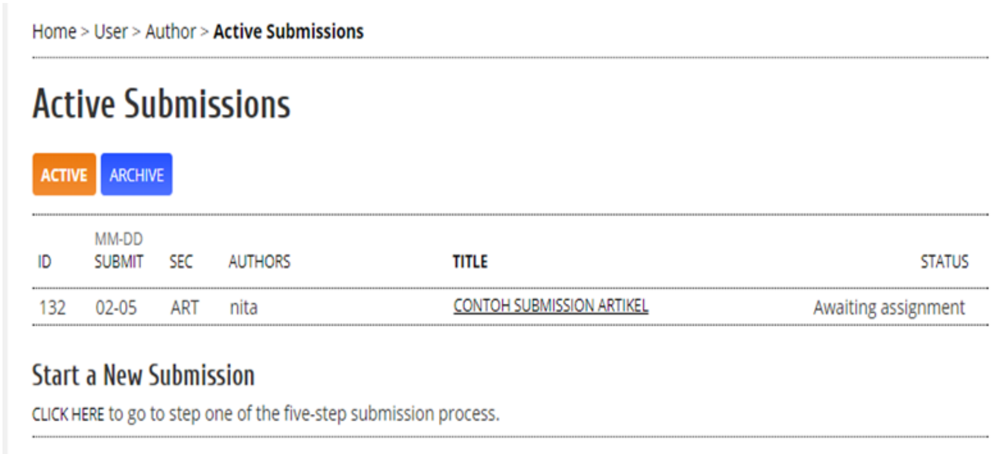

Figure 11. “Active Submissions” page

The Revision of Article

Article that has been reviewed and need to be revised, will be sent back to the author. The author will receive notification and some notes via email. Some steps to revise the article are:

a. Click the article title on the "Active Submission" page, then click the "Review" button.

Figure 12. “Review” page

b. Next, the author must download the article file from the "editor version" on the "Review" page.

c. After that, the author revises the article according to editor’s notes and uploads again through the "Upload author version" Editor will automatically receives a notification if the article has been sent/uploaded.

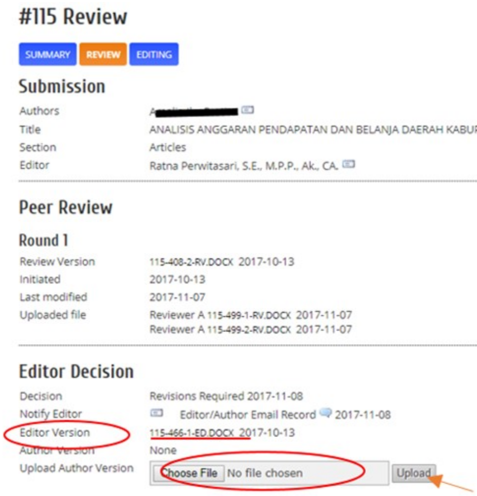

Fig. 13 Downloading and uploading revised article

Copyediting

After the author has finished their revised article and stated accepted (Accept Submission), the next step is copyediting. The author will accept an e-mail/notification from editor to review the article. Some steps to see copyediting result are:

a. Click the article title that will be revised on "Active Submission" page. Then click the "Editing" page.

b. The author can see and download files from the Editor on the "Initial Copyedit" section and re-checks the article. The author can accept/reject any changes made by the editor in this step.

c. The author uploads the article file again on "author copyedit" section. Click on the "e-mail" icon to send a notification e-mail to journal editor.

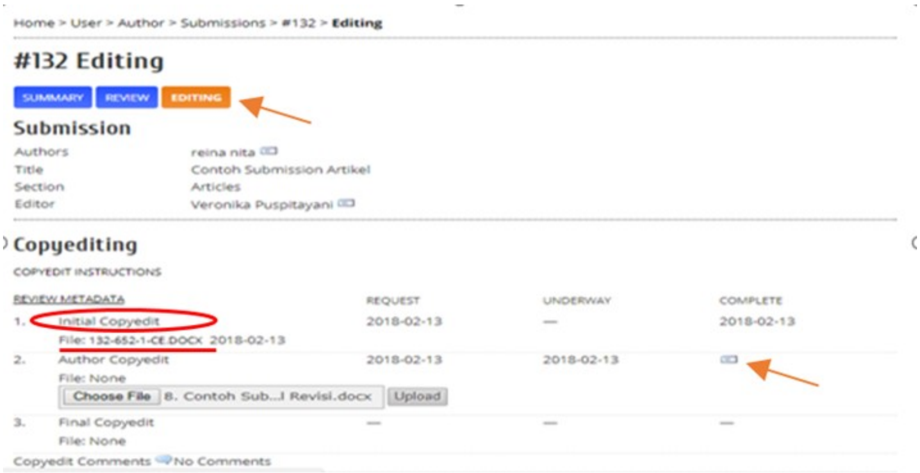

Figure 14. "Copyediting" page

Proofreading

The next step after copyediting is proofreading. The author will receive an e-mail/notification from layout editor informed that the layout already finished and uploaded the galley. The author can do proofread at following these steps:

a. Click the selected article title on "Active Submission" page. Then click "Editing" page.

b. The author can see if the intial galley already correct by click “view proof” on galley format in “proofreading” section.

c. The author can write suggestions and add comments on the proofreading corrections feature. After checking the view proof, the author must review the article metadata by clicking "review metadata".

d. The author will finish the process by clicking “complete”. This is the last step before the article published.When the journal has been published, the author will receive a notification.

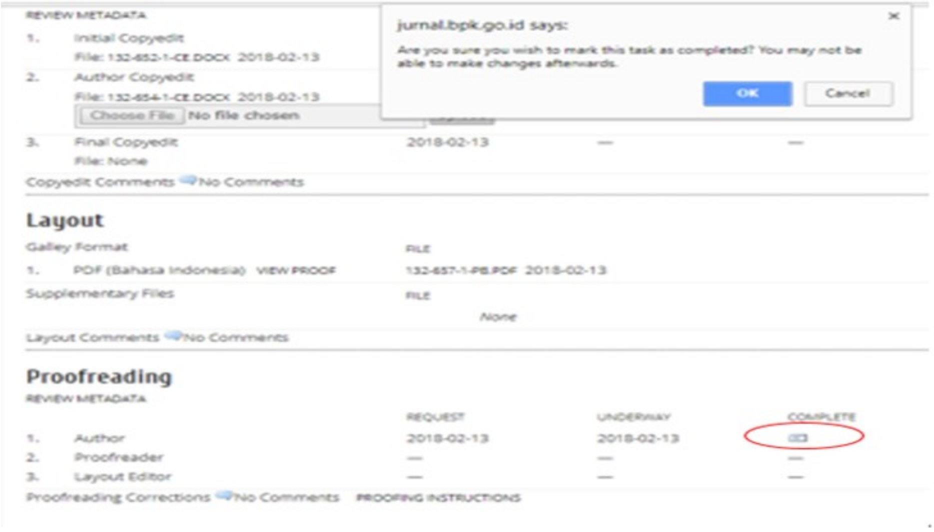

Figure 15. “Proofreading” page

9 772460 393008