

## **CHAPTER III**

### **RESULT AND DISCUSSION**

This chapter, will provide the finding of the research, a description of the results regarding E-Budgeting implementation strategies in regional financial management and SWOT analysis on the implementation of E-Budgeting are presented. According to operational definition on chapter I, author used four indicators for SWOT analysis and strategic management analysis. The detail of the finding and analysis will be explained below:

#### **1.1. SWOT Analysis**

SWOT is an abbreviation of Strengths and Weaknesses which are the internal environment as well as Opportunities and Threats which are the external environment. Rangkuti (2006) wrote that the SWOT analysis is based on the logic that maximizes Strengths and Opportunities, while simultaneously minimizing Weaknesses and Threats. According to Rangkuti (2005), Stages of SWOT analysis is used in analyzing further data, both externally and internally. Data collection is an act of classification and pre-analysis, at this stage, the data can be divided into two, namely: first external data and internal data

. External data include opportunities and threats that influence E-Budgeting implementation. While internal data includes strengths and weaknesses obtained from the environment in the management and utilization of E-Budgeting implementation in the study area. This table can clearly illustrate as well as adjust

to the strengths and weaknesses in the matter. The table can generate four possible strategic alternatives in detail.

**Table 3.4.**

**Strength and Weakness Factors**

<b>Strength</b>	<b>Weakness</b>
Providing a faster process in preparing the budget.	Human resources as a master and utilize ICT remain low and not evenly distributed
Save paper usage so it will reduce costs in preparing the budget.	Development of planning, budgeting, and evaluation data management is not integrated
Control is done from the planning stage	It needs a long time to get up-to-date information online
Budget realization control is easier	Gaps in information access between government and the community
The principle of public transparency	Not all activities can be standardized and measured quantitatively
The efficiency of financial data collection	A crash occurs, and other problems in the system will hamper the execution of the budget itself
Flexibility	Still lacking in E-Budgeting technology when launched
Eliminate complicated accounting tasks	Inadequate expertise/skills from the SKPD service are one of the obstacles, therefore to overcome them the provincial government of the Special Region of Yogyakarta needs to increase training for each unit of the work unit itself.
Accessibility	
Security	
Leaders have e-leadership	
Availability of internet access is adequate.	
Funding for increasing HR capacity is available.	

There are guidance and assistance from the central government related to the development of E-Budgeting	
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*Source: Primary data by the researcher*

There are internal and external obstacles that hamper the E-Budgeting implementation. Internally, weak supervision in budgeting protection of the budget and the use of budget also become major issues, such as the existence of the ineffective budget. Meanwhile, the external problem is corruption, where the absence of transparency to the wider community is also a trigger. This E-Budgeting system also began to prove a number of advantages compared to the application of conventional financial documentation. Some of the advantages are:

1. Prevent corruption act

The practice of corruption in a number of regions sometimes can be disguised by the process of financial data manipulation (the process of financial data manipulation sometimes disguises the practice of corruption in a number of regions). Within a certain period of time, recording funds more easily trick because it still uses conventional systems such as Excel applications. By implementing E-Budgeting system, it can prevent the corruption act because the data that has already carrying out and it has been spread to the public.

2. Principles of Public Transparency

Monitoring of financial data as well as its control by the public is a practice of financial democratization in a local government. People can immediately complaints if they suspect the data is not appropriate. They can also ascertain whether the government has been used properly the tax funds that they

paid. Public transparency is the obligation of each local government to prevent and anticipate all acts of fraud in the management of the APBD.

The principle of data disclosure of financial information to the public also regulated in the laws and regulations, namely: Minister of Home Affairs Regulation No.13 of 2006. This regulation is the guideline for the implementation of the E-Budgeting system for each regional government agency in Indonesia.

### 3. Efficiency of Financial Data Collection.

The financial data collection system can take place efficiently and effectively. By using an integrated system and network, the local government can directly control and evaluate. At the same time, people can also play an active role in escorting the online data.

Although often praised as a breakthrough in financial policies that favor the community, there is still a weakness in the implementation of E-Budgeting. The weakness is related to the vulnerability of government systems that tend to be easily broken into by hackers or affected by online viruses that can damage data. Applying E-Budgeting can anticipate these possibilities through the security system applied in E-Budgeting. So far, there are more prominent advantages of the E-Budgeting system, but must continue to prioritize the optimization in terms of technical and appropriate management capabilities of human resources responsible.

E-Budgeting provides flexibility from organizational performance. Each change can be accommodated easily and directly without going through training

in entering data. E-Budgeting can eliminate complicated accounting tasks. Creating numbers from different files, cutting and pasting, logging in and uploading data and reconciling constantly doing is a lot of work. Financial managers do not have time for repetitive tasks. Therefore, web-based solutions allow the finance department to channel their energy to the formulation of strategies rather than on paperwork. E-Budgeting provides budget access anywhere, anytime, and broadens the availability of budget users to the public. Company managers and employees with budgeting responsibilities can gain access to the budget through the Internet. In addition, they can make changes in the budget if needed, and other components will be automatically updated.

In terms of security E-Budgeting combines automatic "check-out or check-in" processes that provide a lot of flexibility for the distribution of users, and maintain strict security for sensitive information. All activities are recorded to provide a complete audit trail to maintain control. Employees outside the finance department without having financial knowledge can also actively participate in the budgeting process. For example, a customer service manager with workforce planning responsibilities requires an application to carry out detailed individual employee studies and not just salary increases, bonuses, overtime, etc. E-Budgeting can help do this and many other examples.

The E-Budgeting system helps to build various types of budgets such as capital, costs, human resources and income with ease and flexibility. For example, it helps determine the period of asset acquisition and also calculates depreciation on assets. E-Budgeting facilitates "what-if" in modeling capabilities. For example

the controller will propose "what will happen if we increase revenue by 15% or cut budget by 2%". The application shows the results model. This is able to support mass renewal and change through top-down and bottom-up revisions, therefore individuals can quickly estimate the implications of their decisions.

In addition to the ease and advantages of the E-Budgeting system, this system certainly has some shortcomings as described in table 3.4. Some of these shortcomings are caused because only a few of the central and regional governments have budget or accounting staff who have sufficient ability to identify measurement units and carry out cost analysis. Many government services and activities cannot be directly measured in units of output or unit costs which can be easily understood. Accounts in government have been specifically made on the basis of the budget issued (cash basis). This makes data collection for performance measurement very difficult. Sometimes, direct activities are measured in detail and are measured in other details without adequate consideration given to whether or not the activity itself is necessary.

In other words, there is no consideration to determine whether the activity is the best tool to achieve organizational goals. It tends to reduce the role of the legislature in the process of policy formulation and budgeting. There is no clarity about the person in charge and who will bear the impact of each decision. Not all activities can be standardized and measured quantitatively. Discount volume game (retail prices with party prices are certainly different). Start from the technical game specifications until after-sales guarantees. Guarantee or commitment from partners to obtain orders, and even then is a gap of corruption.

**Tabel 3.5.**  
**Opportunity and Threat Factors**

<b>Opportunity</b>	<b>Threat</b>
Increasing the protection of the budget as well as monitoring of the budget both for use and during preparation.	Standard Units have not been integrated.
Overcoming acts of corruption through budget fraud	Goods / Services Prices and Shopping Standards is not integrated with e-Planning Application
Increased budget transparency	Monitoring and Evalutaion of APBD application has not been integrated with the e-Planning application
Prevent corruption	The planning system has not been integrated with the Budgeting system.
Strategic palling tool	The Standard Price of Goods and Services (SHBJ) application has not been integrated and Shopping Standard Analysis (ASB) with Application Planning and Budgeting.
Contingency planning	The management system has not been updated yet regional assets with an administration system finance
The Regional Government Budget Team of the DIY Regional Government can make indicative ceiling limits according to the availability of the budget, regional interests, and priorities; can be locked through the application	There are no provisions / regulations related to Information Technology Governance and Communication in DIY Government
	Limitations of IT qualified human resources

*Source: Primary data by the researcher*

Although the support of facilities and infrastructure is very limited, the management of finance in the Special Region of Yogyakarta can implement E-

Budgeting properly. But in its implementation there are still many obstacles, while the obstacles include:

- a. E-Budgeting programs or software that are quite difficult to operate, not all staff can operate the system. Where in the process of processing enough data, the data must be processed according to the steps of the E-Budgeting program, therefore it takes a long time to understand the application.
- b. E-Budgeting Website is sometimes difficult to access, because it requires computerization that can access connected to the internet online. How it works this system can be done online to every SKPD and UKPD, so it can be quickly monitored and viewed the results. Therefore, it is demanded the support of a set of computers that are connected to the internet network properly.
- c. Based on field observations and interviews with the officers who control the E-Budgeting program, the internet network and signals can be obtained well, only one thing that still be the obstacle of E-Budgeting implementation is still not good, this is because E-Budgeting program, still belongs to other parties, not belong to the Government of DIY.
- d. The quality and quantity of apparatus resources that carry out E-Budgeting applications are inadequate. Very limited resources apparatus that can operationalize E-Budgeting program, so often experience delay in reaching target work which have been predetermined. Regional financial management using the E-Budgeting application is an online system-based management where each SKPD that will use must be



connected to an Internet network that connects directly to the Central server.

- e. There is no data integration from planning, budgeting and evaluation

**Tabel 3.6.**

**Analysis Strategy for e Budgeting Implementation**

<b>The strategy of using strength to take advantage of opportunities (SO)</b>	<b>Strategies to overcome weaknesses with take advantage of opportunities (WO)</b>
<ol style="list-style-type: none"> <li>1. Take advantage of e-leadership for efficient optimization use of ICT resources there is.</li> <li>2. Improve interactive communication with the world of small and medium businesses to improve people's economy</li> <li>3. Optimize consultations with agencies the government is competent with E-Budgeting to accelerate the implementation of eGovernment</li> <li>4. E-Planning application integrated with Standard Unit Price Goods / Services as well Shopping Standards implemented when the preparation of the RKPD Year 2019.</li> <li>5. System integration planning application activities with the System Budgeting.</li> <li>6. System integration SHBJ and ASB applications with the Application activity planning with formulation budget.</li> <li>7. Need to draft regulations about information technology governance and communication as a standard reference utilization and development of ICT in DIY</li> </ol>	<ol style="list-style-type: none"> <li>1. Take advantage of leadership e-leadership for communication cost efficiency and work processes.</li> <li>2. Take advantage of the Internet to improve HR capacity and independence to manage ICT resources</li> <li>3. Take advantage of the availability of S / W, H / W and network for the availability of information fast and accurate</li> <li>4. Take advantage of partnerships with agencies competent government in the field of ICT</li> <li>5. Development of e-planning application adopt and integrate Standard Unit Price Goods / Services as well as Shopping Standards</li> <li>6. Implementation Standard Unit Price Goods / Services as well as Shopping Standards integrated with the E-Planning application</li> <li>7. Preparation Monev integration concept APBD with e-Planning application</li> <li>8. Advanced drafting APBD Monev integration with the e-Planning application</li> <li>9. Development Planning Application integrated with Granting Application.</li> <li>10. Development SHBJ and ASB</li> </ol>

<p>8. Mapping HR IT qualified</p>	<p>applications integrated with Planning and Granting.</p> <p>11. Identify the whole application in all OPD DIY Regional Government</p> <p>12. Compile a draft governor's regulation about governance information Technology and communication</p> <p>13. Coordinate with relevant agencies to do HR mapping IT qualified</p>
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<b>The strategy of using strength to face challenges (ST)</b>	<b>Strategy to overcome weaknesses for face challenges (WT)</b>
<ol style="list-style-type: none"> <li>1. Increase the ability of skilled human resources in the use of information technology to streamline service to the community</li> <li>2. Use the internet as a source of knowledge abundant.</li> <li>3. Improve coordination between SKPD and between sub-districts within the District, Province and Central Government</li> <li>4. Facilitate the community with access and information evenly throughout the region.</li> <li>5. Budget system planning should refer to Unit Standards Price (SSH)</li> <li>6. Planning Application System (Jogjaplan) should be integrated with the Application System Budgeting (SIPKD)</li> <li>7. Make management improvements</li> <li>8. APBD in a transparent, accountable manner and integrated since planning</li> </ol>	<ol style="list-style-type: none"> <li>1. Increase human resource capacity in the ICT field and the attitude of serving the community.</li> <li>2. Reallocate HR placement in the place right to anticipate technological developments speedy information</li> <li>3. Reengineering the work process for the best service for the community</li> <li>4. Preparation Governor Regulation about Unit Standards Price of goods / services and Shopping Standards</li> <li>5. Development E-Planning application who adopted and integrate Standard Unit Price Goods / Services as well as Shopping Standards</li> <li>6. Integrate</li> <li>7. APBD with e-Planning</li> <li>8. System integration planning application activities with planning budget.</li> <li>9. System integration SHBJ application and ASB with</li> </ol>

<p>activities, budgeting, administration, procurement of goods and services, supervision, up with accountability and reporting</p> <ol style="list-style-type: none"> <li>9. Make management improvements APBD in a transparent, accountable manner and integrated since planning activities, budgeting, administration, procurement of goods and services, supervision, up with accountability and Reporting</li> <li>10. Improving management Regional assets</li> <li>11. Implement it regional asset inventory periodically, transparent and accountable.</li> <li>12. Availability of information strong regional assets and can be accounted for.</li> <li>13. Regulated Governor about governance managing information technology and communication</li> <li>14. IT qualified human resources</li> </ol>	<p>Application activity planning with planning budget</p> <ol style="list-style-type: none"> <li>10. Doing Asset data updating Area and doing asset settlement - problematic assets</li> <li>11. Availability of Asset Data Regional Update.</li> <li>12. 100% Regional Assets the problem Resolved</li> <li>13. Regulations Governor of Management Technology Information and Communication</li> <li>14. B12: Availability of human resources IT qualified</li> </ol>
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*Source: Primary data by the researcher*

Before the implementation of Performance Based Budget system, the budgeting method used is a traditional method or item line budget. The way of preparing this budget is not based on an analysis of a series activities that must be linked to a predetermined purpose, but rather emphasizes the need for expenditure and the accountability system is not examined whether the funds have been used effectively and efficiently or not. The benchmark of success is only indicated by the balance of the budget between income and expenditure, but if the budget

deficit or surplus means that the budget execution fails. In its development, a performance of budgetary system interpreted as a form of budget whose sources were linked to the results of service.

Performance budgets reflect several things. First, the purpose of funding requests. Second, the costs of the programs proposed in achieving this goal. Third, quantitative data that can measure achievement and work carried out for each program. Budgeting with this performance approach focuses on the efficiency of carrying out an activity. The efficiency itself is the comparison between output and input. An activity is said to be efficient, if the output produced is greater with the same input, or the output produced is the same as the input that is less. This budget is not only based on what is spent, as is the case with traditional budget systems, but also based on specific goals / plans whose implementation needs to be prepared or supported by an adequate budget and the use of these costs must be efficient and effective.

Unlike budgeting with the traditional approach, budgeting with this performance approach arrange in an output orientation. Therefore, if we make a budget with a performance approach, then our mindset must focus on "what you want to achieve". If you focus on "output", it means that thinking about the "purpose" of the activity includes every step when preparing the budget. This system focuses on aspects of management in addition to the efficient use of funds, examine the results of their work. The benchmark for the success of this budget system is performance or achievement of the goals or results of the budget by using funds efficiently. Building a budgeting system that can integrate

performance planning with the annual budget, there will be a link between available funds and expected results. This budgeting system is also called Performance Based Budget.

To be able to develop a Performance-Based Budget, must prepare strategic planning first. The drafting of the Strategic Plan carrying out objectively and involves all components within the government and society. In order for the system to work properly, it is necessary to establish some decisive things, namely price standards, performance benchmarks and Minimum Service Standards based on the legislation. Performance measurement use to assess the success or failure of the implementation of activities/programs/policies in accordance with the targets and tasks in order to realize the vision and mission of the regional government. One aspect measure in the assessment of local government performance is the financial aspect of the performance based budgeting. To perform a performance measurement, it is necessary to determine the indicators in advance, including input indicators in the form of funds, human resources and work methods. In order for the input must have accurated information in budget, it is necessary to evaluate its fairness.

The role of Cost Standard Analysis (ASB) is fundamental in assessing the rationality of input and output. The ASB is a fairness assessment of workload and costs used to carry out an activity. Along with the implementation of the Government Regulation on Regional Financial Management, demanding more varied and informative regional financial reports that are decentralized to the Regional Work Unit (SKPD), the reporting obligations must be prepared in

regions such as the APBD along with the Summary and Description, Budget Realization Report, Balance Sheet, Cash Flow Statement, Notes to financial statements, and other Performance Management Reports. The duty and function of Generale Directorate of Regional Financial Administration Development of the Ministry of Home Affairs is to guide regional governments in the form of policies and facilitation actions.

In this case, in order to support the effective process of regional financial management, the role of information systems and management should be arranged. The role of computer-based information systems is the solution to the problems above. In addition to being a solution to the problem, the role of information technology can also shorten work time with accurate or valid results.

If an auditor in the government (BPK, KPK) only refers to the budget, then there is always a gap to enrich themselves, namely:

- a. Starting from the determination of government or company partners.
- b. Game volume discount. (Retail prices with party prices are certainly different)
- c. When buying or selling. Starting from SPEC technical games, prices, terms of payment, guarantees or after sales guarantees, and so on.
- d. Guarantee or Commitment for partners to obtain orders, and even then is a gap of corruption.
- e. Giving partnerships to officials, both cash and goods and services provided before and after the transaction.
- f. Especially for the purchase of Services, it will be far more difficult to see the fairness of a transaction.

Based on the cycle of Regional Revenue and Expenditure Budget, the system of budget preparation using E-Budgeting goes into the preparation stage, whereas the use of SIPKD-based financial management system at Yogyakarta Provincial Government implemented by the General Treasurer of the Finance and Asset Management Board is still used but at the other is the elimination, implementation, supervision, evaluation and reporting. BAPPEDA has the authority to compile: Affairs, programs, activities, budget ceiling and activity ceiling. The service can view the details of the desired component with selecting the goods group code or searching by filling in the name or item code. If the agency wants to see the component details based on the item group, then choose the respective item group. Local financial management processes at the budget planning stage up to budgeting using E-Budgeting system at Yogyakarta Provincial Government Local Financial Management Process Using E-Budgeting, Budget User or Local User Officer has the following tasks:

- a. Arranging RKA-SKPD;
- b. Develop DPA-SKPD;
- c. Carry out an action resulting in expenditure on the expenditure budget;
- d. Implementing SKPD's budget led;
- e. Test the bill and order payment
- f. Implement non-tax revenue collection;
- g. Conducting ties / cooperation agreements with other parties within the stipulated budget limit;
- h. Sign SPM
- i. Managing debt and receivables that are the responsibility of the SKPD they lead;
- j. Managing regional property/regional assets which are the responsibility of the SKPD they lead;
- k. Compile and submit financial reports of the SKPD they lead;

- l. Oversee the implementation of the SKPD budget that he leads;
- m. Carry out the tasks of budget users / other goods based on the power delegated by the Regional Head;
- n. Responsible for the implementation of its task to the Regional Head through the Regional Secretary.

The following may explain the benefits to be gained and felt in the use of budgeting systems using E-Budgeting

- a. Time efficiency
- b. Use of price standards
- c. Measurement of activity performance
- d. Budget control management
- e. Easy access
- f. Monitoring budgeting process
- g. Budget analysis

Thus, the purpose of the budget preparation system for SKPD in the Yogyakarta Special Province Provincial Government has the following objectives:

- a. For the level of quality of the APBD in terms of conformity with RPJMD, accuracy of values and accounts, and accountability of expenditure allocations.
- b. The resulting information must be timely, in a form that is easy to understand, relevant to decisions taken and reliable, meaning information is meticulous and does not contain errors.
- c. The cost of carrying out the information system must be kept to a minimum without compromising the benefits of the system in generating information and in supervising the property of companies and organizations.



- d. E-Budgeting is planned to be flexible in the sense that the system must be able to accommodate changes in information needs without the need to make very large changes.
- e. E-Budgeting must be simple in the sense that it is easy to understand by the implementer and is also easy to implement without causing unnecessary difficulties.
- f. E-Budgeting must be accurate, detailed, accountable, and transparent.

The provincial government of Yogyakarta Special Region still uses the regional financial management system using SIPKD, with the current policy of using E-Budgeting, especially at the stage of budget preparation, it has expectation that there is no budget deviation, because BAPPEDA regulate and make uniform the standard unit price for SKPD to support the program and the activities. Measurement of performance in accordance with the vision of the DIY's Government is Accountability, which means to be trusted and accountable in the implementation of financial management and regional assets. This is a reference to the implementation of programs and activities in 2017, through cutting activities with poor performance and maximal vice versa for activities and programs with good performance measures will proceed the output and good outcome to the community.

E-Budgeting has function to save more budget because this system have advantages for all programs that get sign and approval from Governor. It also can be directly locked, therefore there is no programs or activities that do not get approval from the Governor to cause corruption. Special Region of Yogyakarta has implemented the E-Budgeting system, even with the existing limitations, by

maximizing the ability of the resources to be able to implement this system optimally. It can be judged regarding facilities or infrastructure facilities used, the implementation process which in the end can produce output form of policy budgets, codes of accounts and defined expenditure groups, and the determination of unit prices and components of PPSA through the mechanism of E-Budgeting

**Tabel 3.7.**

**Development Stages**

N o.	Year	Development
1.	2009 - 2010	Developed but failed so back again using excel
2.	2011	Rebuilt and start running (some are still manual)
3.	2015	Additional trilateral desk features
		Additional features of RKPD Changes as mandated.
		The addition of the Grant feature
		Additional features
		Addition reports of reports that support the planning
4.	2016	Changes in Development Affairs by the Mandate of Law 23/2014
		New SOTK Change and New Partnership with DPRD
		Completion of the Improved User Experience Area with enhanced features, improved design, and enhanced stuff
		ease of application utilization
5.	2017	Recommended RPJMD DIY 2017-2022
		New Institutional Adjustments

	Development of Regional Planning (Thematic Map, etc.) Output features
	the report in support RKPD and KUA PPAS, etc. corresponding Act 23 Year
	2014
	Synchronization of Central and Regional Planning according to SEB Minister of Home Affairs and Minister
	PPN / Bappenas with the development of modules that compare DIY RPJMD
	2017-2022 and 2015-2019 RPJMN
	Security and Business Development Process Application
	Development of Database Structure
	User Interface Development
	System optimization using data integration
	Development of technical features of Application Planning

*Source: Primary data by the researcher*

By using an E-Budgeting system, not all officials in the Government of Yogyakarta Special Region can increase and reduce or change the budget according to their wishes. As the head of the region can supervise and coordinate with other heads of SKPD by using E-Budgeting systems because by clicking on the website, supervision of the budgeting process can be done. Budget analysis using E-Budgeting, which is an integrated system with the regional financial management system, therefore the regional financial management system through e-audit and the system of procedures for accounting for the administration of DIY are more complete.

Good governance is an essential basis for creating a transparent, effective and efficient bureaucratic system. In order to realize the right governance, the Province of DIY is building some information technology facilities that must be

finish end of this year. The Office of Communication and Information (Diskominfo) of DIY itself has prepared a working space containing hi-tech computers for the digital community or people who want to develop a digital technology.

The DIY's Government will also develop the Integrated Digital Media Center (IDMC) application. JMC IT Consultant gets the trust to compile the application. As the one of the staff from Management Information of DIY state that:

The IDMC application is an integrated DIY application to support the establishment of a smart province, which involves three elements, namely human resources, software, and hardware. The DIY's Government will develop The Integrated Digital Media Center application for the integration of document applications. IDMC will later resemble a command center that has been built by the Bandung government. However, IDMC of DIY is different with the concept of Bandung's IDMC because the DIY's IDMC will emphasize planning or decision making. (interview, Muzainuri 2018. 27/07/2018)

The preparation of bureaucracy in the implementation of E-Budgeting has been done gradually since 2006. The DIY government has regulated IT Strategic Planning document in Provincial Governor Regulation Number 42 the Year 2006 About Blueprint Jogja Cyber Province Province Government of Yogyakarta (Governor Regulation of DIY no. 42 in 2006). It can be tracked from the integrated civil service reform book of the DIY Provincial Government that there is a need to institutionalize E-Government as an integrated part of public service or bureaucratic reform.

The preparation of the technical bureaucracy begins with the development of the business process of the application, the preparation of the application, the drafting of regulations or related regulations, the socialization of the application, the use of the application from the users according to the user level and the maintenance and the improvement since 2016. Preparation of non-technical bureaucracy is heavily influenced by the regulation and socialization of e-planning application. The E-Budgeting application has been set up as part of planning activities as a basis for budgeting, and making the level of readiness of the Special Region of Yogyakarta Provincial Government bureaucracy using the application increased from the beginning implemented until now.

## **1.2. Strategic Management Analysis for E-Budgeting Implementation on Local Financial Management.**

### **1. Issue Identification.**

Good governance in the field of financial management has purpose to improve the climate of transparency, public participation, and accountability. The government should make progress and implemented the old patterns in financial management to be no longer following current conditions. In order to realize proper accountability and governance in the public sector, the central government has issued regulations regarding regional financial management. The regulations include Law Number 32 of 2004 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments. Since the implementation of fiscal

decentralization, local governments have the authority to carry out their financial management. Regional financial management includes regulation, allocation and reporting to the central government.

The Ministry of Home Affairs the Directorate General of Regional Finance, is indeed very interested in improving the ability of the region to present transparent and accountable LKPD. The Directorate General of Regional Finance needs to continue and encourage local governments to improve transparency in the management of state finances in order to improve the quality of financial reports in order to achieve good governance. For this reason, the Directorate General of Regional Finance needs to provide a broader perspective to the public regarding aspects related to the preparation of the government budget which includes the planning and budgeting process. Besides, the Directorate General of Regional Finance also needs to provide a philosophy and implementation of fiscal decentralization reforms, application of regional financial management, discuss issues that arise in the preparation of government financial reports, as well as strategies to improve the quality of financial management and reporting of the country.

Proper regional financial management must be in line with the vision and mission of the regional government, medium-term development plans, regional government work plans, and based on performance-based budgeting. The Secretary of Financial and Aset Management of DIY stated that:

This proper regional financial management shows that the region has the commitment and integrity to be better. By implementing SIPKD, it has expectation to be one solution to the operational difficulties of financial management by the Regional Work Unit (SKPD), which is caused by among others the limited human resources with an accounting background. With SIPKD, the implementation of local financial transactions, from classification, administration, to preparation of financial statements can be easily carried out. (interview, Pendi 2018. 26/07/2018)

Regarding to the statement, it could be said that, the most fundamental of financial accountability is as a concrete effort and upright intentions of the regional government in realizing transparency and accountability in regional financial management carried out with the principles of justice and propriety in allocating regional budgets to be effective, efficient in responsible funds so that the results can be felt all levels of society. Transparent and quality regional financial management is also an essential element in realizing clean and accountable governance. For this reason, all relevant parties have to carry out a comprehensive effort to improve the quality of the preparation and presentation of government financial statements.

Information Technology in official discourse is placed in the top priority in professionally supporting the implementation of administration. The presence of Information Technology in the past few decades has proven that Information Technology can provide something that is initially difficult for administration to managed it, namely concerning speed and accuracy. Thus Information Technology has been believed to be a factor to pay more attention to realize professional administration (Sedarmayanti, 2012: 159). Efforts to improve the utilization of

information and technology are involving three main things (Indrajit, 1999) in Sedarmayanti, 2012: 162-163), namely:

Information System: contains the definition of information system needs that support business organizations. These needs include the type and characteristics of information, the relevance of information, the speed of information flow, the quality of information accuracy, and so on

1. Information technology: contains the hardware and software components that must be available to produce a defined information system.
2. Information management: contains of human resources that will implement information systems that are built and developed.

E-Budgeting is a financial system that is stored online with the aim of transparency for each party. This system is applied as documentation of budgeting in an area. Everyone can access budget data compiled by a local government so that it is expected to prevent embezzlement of funds or fraud from the local bureaucracy. E-Budgeting is an E-Budgeting system, through the use of E-Budgeting in the government sector is expected to protect the implementation of budgeting in Indonesia. This system was first implemented and at the same time showed the success of its application by the Surabaya City Government led by Tri Rismaharini.



The implementation of the system is also in accordance with the spirit of Government Regulation number 58 of 2005 which states that regional finance must be managed in an orderly manner, abiding by laws and regulations, efficient, economical, effective, transparent, and accountable with regard to fairness, propriety and benefits for the community. Understanding Transparency in PP 58/2005 is defined as the principle of openness that allows the public to know and get access to information as broad as possible about regional finances and regulated in the Minister of Home Affairs Regulation No. 13 of 2006.

E-Budgeting is applied to support the budgeting process. As is known in the process of making the Regional Budget Plan that is carried out every year has a long process. Existing processes include preparing unit price standard data, dividing the budget section, designing activity proposals along with the budget details by each work unit, internal discussions or with the DPRD, after going through one or more revisions a budget plan is formed which can be accepted by all parties and can show the direction of development. The process can be said to be slow and convoluted, spending a short amount of time. In addition there are other issues besides the process that tends to be long, the budget preparation process that has been running so far also uses excess paper and is not efficient. The budget for budgeting is also high.

E-Budgeting is a regional financial program that is currently used by the Provincial Government of Yogyakarta Special Region Regional Budget. This system provides shopping facilities that can be used in the development contained

in the catalog in order to suppress unimportant funds that are expected to emerge. As for maximizing the implementation of E-Budgeting, there needs to be improvement efforts in the field of Internet network used in data input and improvement in the field of software. All of these efforts are aimed at making the effectiveness of E-Budgeting work well. There are several problems in the implementation of E-Budgeting in the Provincial Government of Special Region of Yogyakarta, among them:

Based on the effectiveness theory according to Nurudin (2007: 26) in Mutiarin and Zainudin (2014: 14-15) namely. "Effectiveness means the extent to which we achieve goals, while efficiency means how we manage existing resources carefully. Effective but inefficient, meaning in achieving a goal using excessive resources or so-called high cost economy, while efficient but ineffective, means to manage the existing resources well, but the target is not achieved. Effective leads to achievement, objectives, while efficiency leads to the ability to use existing resources well (not excessively to achieve high productivity)," Under the Governor's Regulation No. 145 of 2013 article 6 on Preparation of the Regional Revenue and Expenditure Budget Plan through The E-Budgeting system that contains in running this E-Budgeting system cannot be separated from the information system because in its management this system uses sophisticated information and technology.

E-Budgeting is believed to save more budget because this system is made so that all programs that have been signed and approved by the Governor can be

directly locked so that no programs or activities that do not get approval from the Governor so as to cause corruption. Special Region of Yogyakarta has implementing the E-Budgeting system, even with the existing limitations, by maximizing the ability of the resources to be able to implement this system optimally. It can be judged in terms of facilities or infrastructure facilities used, the implementation process which in the end is able to produce output form of policy budgets, codes of accounts and defined expenditure groups, and the determination of unit prices and components by the field of PPSA all through the mechanism of E-Budgeting

The implementation of this system has also been said to be effective because the expected objectives of the implementation of this system can be realized and has a positive impact because it strongly supports the transparency of management and financial accountability of the Provincial Government of DIY, which at present, the financial management from the planning stage, budget policy formulation, budget implementation, to accountability has been done through the computerization process to minimize the occurrence of errors or financial irregularities. As the Head of Accounting Department from Financial and Aset Management Agency state:

Until now, financial management in Yogyakarta Special Region can be more easily monitored directly by the regional head as the sole holder of the access code to change the established budget. Based on the objective of the implementation of this system, one of which is to organize good and clean governance can be said to be almost achieved. (interview, Aris Widaryanto 2018. 6/08/2018)

E-Budgeting is a regional financial program that is currently used by the Provincial Government of Yogyakarta Special Region Regional Budget. This system provides shopping facilities that can be used in the development contained in the catalog in order to suppress unimportant funds that are expected to emerge. As for maximizing the implementation of E-Budgeting, there need to improve efforts in the field of Internet network used in the data input and improve the software. All of these efforts are aimed at making the effectiveness of E-Budgeting work well.

## **2. Finding Alternatife Way.**

The implementation of Regional Financial Information System (SIPKD) by utilizing information technology in the regions is expected to be able to support the acceleration of the delivery of financial information to the central government. The Regional Financial Information System (SIKD) is carried out at national and regional or regional levels. The National Regional Financial Information System (SIKD) is carried out by the central government, while regional SIKD are carried out by local governments. The aim of SIKD at the national level based on PP No. 56 of 2005 is formulating national fiscal policies and controls, presenting regional financial information nationally, as well as formulating regional financial policies. As the Head of Budget Departement from Financial and Aset Management of DIY stated that:

For the regional level, SIKD's objectives include assisting regional heads in preparing regional budgets and regional financial management reports, assisting regional heads in formulating regional financial policies,

and assisting regional heads and other relevant agencies in evaluating regional financial performance, as well as presenting regional financial information openly to the public. (interview, Aris Eko Nugroho in 2018. 3/08/2018)

SIKD at the regional level or regional SIKD is also referred to as the Regional Financial Management Information System (SIPKD). Government financial reporting is based on the principles of effective, efficient, accurate, accountable and transparent. In addition to the achievement of the principles of the financial statements, SIKD was held so that the central government immediately received regional financial information to be consolidated with the central government financial statements. In order to support the National Regional Financial Information System (SIKD), the DIY Regional Government has begun implementing the Regional Financial Information System since 2009. The success of implementing SIKD nationally depends on the successful implementation of SIKD at the regional level. Therefore, efforts are needed so that SIKD at the regional level is optimally implemented. Since 2010, the Regional Government of DIY has won an Unqualified Opinion Exception (WTP) for Local Government Financial Statements (LKPD). During this time the Unqualified Opinion (WTP) of the Republic of Indonesia Supreme Audit Agency (BPK RI) was considered the highest and last achievement of the regional government, and it was considered that financial management and reporting were perfect. If you have obtained a WTP opinion, it is assumed that the SIKD of the regional government will also run well, but this assumption is not necessarily correct. Local governments as representatives of the central government in the regions should report all forms of financial management to the central government and the community, as the Head

of Budget Departement from Financial and Aset Managment Agency of DIY stated that:

Local governments carried out a financial reporting because of the underlying rules. In addition to the underlying rules, there is the possibility of financial reporting being carried out because of pressure from parties with a higher position and not due to the professionalism of the local government. The financial statements presented can be arranged in such a way that they can be completed on time and seem reasonable. The timeframe for preparing a concise report and the fear of sanctions to be imposed make the financial report preparers take a variety of efforts to meet the deadline and the existing rules regardless of the accuracy of financial information. (interview, Aris Eko Nugroho in 2018. 3/08/2018)

Regional Financial Management Information System is an integrated application that is used as a tool for the local government. It has function to improve the effectiveness of the implementation of various regulations in the area of regional financial management based on the principles of efficiency, economical, practical, transparent, accountable and auditable. This application is also one manifestation of real action facilitation from the Ministry of Home Affairs to local governments in the area of regional financial management, in order to strengthen the common perception of systems and procedures for regional financial management in interpreting and implementing various laws and regulations.

Regional Financial Management Information System (SIPKD) is an application was built by the Ministry of Home Affairs' Directorate General of Finance in order to accelerate data transfer and efficiency in the collection of

regional financial data. SIPKD is an integrated application used as a tool for the local government that is used to improve the effectiveness of the implementation of various regulations in the area of regional financial management based on the principles of efficiency, economics, effective, transparent, accountable and auditable. This application is also one manifestation of real action facilitation from the Ministry of Home Affairs to regional governments in the area of regional financial management, in order to strengthen the common perception of systems and procedures for regional financial management in interpreting and implementing various laws and regulations.

The purpose of SIPKD Regional Financial Management Information Systems is carried out both at the central and regional levels. The community has known regional SIKD organized by each regional government as the Regional Financial Management Information System (SIPKD). The Ministry of Home Affairs facilitates SIPKD. SIPKD is organized by the Government is called National SIPKD. The Government organizes SIPKD nationally with the aim of:

1. Formulating national fiscal policies and controls;
2. Presenting regional financial information nationally;
3. Formulate regional financial policies, such as the Balancing Fund, Regional Loans, and Control of budget deficits; and

4. Monitor, control and evaluate funding for Decentralization, Deconcentration, Co-Administration, Regional Loans, and local budget deficits.

SIPKD is a computer-based information system created to provide complete service management of regional financial management information systems. This system includes applications such as planning, budgeting, cash, accounting, salary, income, and TUKD Satker modules as supporting tools for regional financial management. SIPKD is created by adapting the latest legislation system that applies to government finance. Through careful planning in making the system, this application makes it easy for users to operate because it is easy to understand. In addition, data security and data confidentiality are maintained through the technology that we have developed. This system can also be adjusted to the needs of the user. We also provide training to provide reliable human resources so that they can understand the correct rules in managing regional finances and goods and are skilled in operating financial and regional goods applications well. Apart from the advantages of operational and technological aspects, management information systems.

SIPKD also provides convenience for management. Improved quality of planning, Increased efficiency of allocation and management of resources, Improved control and monitoring of cash balances, Analysis of financial statements and performance analysis of work units which are all solutions that can facilitate regional financial management. The concept of E-Budgeting is actually



the same as the concept of traditional budgeting. For the company level, it is far more flexible than in government institutions so that it can be applied Flexible budgeting, that is, the budget will change automatically if an assumption changes. For example, the assumption of acceptance misses below or above the target, then the assumption of expenditure will automatically change without the need for approval from shareholders.

### **3. Formulating Important Problem.**

One form of responsibility for the development of local finance can be realized through providing comprehensive financial information to the broader community. PP No. 56/2005 concerning Regional Financial Information Systems, as amended by PP No. 65/2010 concerning Amendments to PP No. 56/2005 concerning the Regional Financial Information System, has determined that regions submit information relating to local finance to the government, in this case, submitted to the Minister of Finance and the Minister of Home Affairs. With such rapid advances in information and technology and the potential for widespread use, it provides opportunities for various parties to access, manage and utilize information quickly and accurately to further encourage the creation of a clean, transparent and still able to answer the demands of change effectively.

Regional financial management reforms have long been implemented. Various problems and learning processes towards proper regional financial management have not yet achieved perfect stability. However, regional financial transparency and accountability have seen significant

progress. Improving the quality of local government financial reports from year to year, which is marked by significant progress in improving BPK audit opinions so far and it's undoubtedly a strong capital to build transparency in regional financial management.

In this context, the implementation of government accounting standards is a big challenge that requires careful and structured preparation related to regulations, systems and human resources. In the current era of reform and decentralization, good governance, especially the transparency and accountability of both central and regional government, finances have become a central issue and spotlight of various parties. Political freedom has encouraged the mass media to freely expose various cases and events related to government finances that were previously barely touched by the public's eyes and ears. In line with the development of technology and digital communication in the community, almost all government agencies have their web pages. Through this website, government agencies have been able to present information about matters relating to development planning, the organizational structure of work procedures, public services, and regulations that able to publish regional financial reports in a transparent and accountable manner.

#### **4. Issue Management Strategy.**

As the Head of Budget Departement from Financial and Aset Managment Agency of DIY state that:

As Admittedly, one of the weaknesses in the Regional Government Financial Statements (LKPD) lies in the inability to present consistent and integrated data starting from asset, budget, salary data, and administration processes, giving rise to a lot of data inaccuracies in the accounting process that results in LKPD both balance sheet, Budget Realization Report (LRA) , Cash Flows and Notes to Financial Statements (CaLK). Another in regional financial management is the lack of an excellent financial management data archive unit so that much valuable data is lost. (interview, Aris Eko Nugroho in 2018. 3/08/2018)

The strategy offered concerning technological renewal is to optimize the use of government agencies websites by striving to be more transparent and can be used directly by the community to obtain information about plans and implementation of local government budgets. The SKPD present to improve transparency and accountability in the implementation of decentralization. It could accelerate the process of delivering regional financial information, an application system is needed that can accommodate the entire implementation of the regional financial information system, namely SIPKD Legal Basis of Regional Financial Management Information Systems In the implementation and implementation of the Financial Management Information System the legal basis areas are:

1. Law No. 33 of 2004 concerning Financial Balance between Central Government and Regional Government;
2. PP No. 56 of 2005 concerning Regional Financial Information Systems; and

3. Minister of Finance Regulation No. 46 of 2006 concerning Procedures for Submitting Regional Financial Information.

#### Basic Principles of Regional Financial Management Information Systems

Some basic principles in the implementation of Regional Financial Management Information Systems are

1. Clarity of roles and accountability of fiscal policy, Availability of financial information for the community,
2. Openness in planning, implementation, and reporting of budgets and guarantee of the independence of policies good fiscal.

In the development and implementation of the SIPKD application, districts or cities are expected to provide office space for 2 (two) supporting staff, which are available to telephone lines, internet access, and provide 2 (two) PC units as learning media for technical management personnel (admin) and operator. Besides the facilities referred to above, the area has expectation to provide meeting rooms for coordination meetings. In each regency or city, it is expected to appoint 5 (five) staff as technical managers (Admin), consisting of 1 (one) element of BAPPEDA, 1 (one) Electronic Data Processing (PDE) element, 2 (two) elements of Regional Financial Revenue and Management Service (DPPKD) / Regional Financial Management Agency (BPKD)/Finance Section and 1 (one) element of Regional Supervisory Agency (BAWASDA)/Inspectorate.

Whereas each SKPD is expected to be appointed 3 staffs as an function operator consisting of Treasurer, Administration, and Finance Section (Minister of Home Affairs Circular No. SE. 900/122 / BAKD). In implementing the SIPKD application in Special Government of Yogyakarta Provincial Government, assistance was carried out by collaborating with other parties, namely PT. USADI. The collaboration uses a contract system per year. PT. USADI provides individual officers (field support) who will assist in the implementation of SIPKD in DPPKA of Special Government of Yogyakarta. In this case, the support field accompanies, assists and does other things related to the implementation of SIPKD at DPPKA Special Government of Yogyakarta, including teaching ways operation of operators who are not infomed the use of SIPKD. In addition to the above matters, another thing that is done for the development of SIPKD is the holding of training for operators, and usually, the training is held by the Budget Division of DPPKA Special Government of Yogyakarta at the invitation of PT. USADI (Budget Sector becomes a facilitator)

**Table 3.1.  
Performance Agreement year 2016**

No	Strategic Target	Performance Indicator	Unit	Annual Target	Quarterly	Target
1.	Improving income area of tax, retribution and others income	Percentage Local Revenue contribution to income area	%	49,18	Quarter I Quarter II Quarter III Quarter IV	9,90 22,03 33,15 49,18 2
2.	Improving the	Percentage of	%	100.00	Quarter I	50.00

	quality of regional financial management	accuracy in regional financial management			Quarter II Quarter III Quarter IV	50.00 80.00 100.00
3.	Improvement regional owned enterprises Performance	Percentage of Dividend regional owned enterprises to total number inclusion regional owned enterprises capital	%	18,57	Quarter I Quarter II Quarter III Quarter IV	0.00 16.65 17.00 18,57
4.	Improvement quality management regional assets	Percentage regional assets which can optimized	%	54.03	Quarter I Quarter II Quarter III Quarter IV	0.00 0.00 54.03 54.03

*Source: Performance reports on government agencies of the revenue office, financial management, and assets of the Special Region of Yogyakarta*

Performance Agreement Document is a document containing assignment from the head of a higher agency to lower agency to carry out programs and activities accompanied by indicators performance. Through a performance agreement, the commitment of the recipient of the mandate and realization is realized agreement between the recipient and the trustee for specific, measurable performance based on the duties, functions and authority and available resources. The document contains strategic objectives, performance indicators and targets performance and budget. In preparing agency performance agreements to refer to the Strategic Plan, Annual Performance Plan (RKT), Key Performance Indicator (IKU), and budget or Budget Implementation Document (DPA). The Performance Agreement in the following table is 2016 Performance Agreement.

**Tabel 3.2.**  
**Achievement of the Performance year 2016**

No	Target Strategic	Performance Indicator	Unit	Target	Realization	Percentage	Criteria/Code
1.	Increase income area of tax, retribution also, others income	Percentage Local Revenue contribution to income area	%	49.18	50.18	102.03	Very Good
2.	Increase quality management regional finance	Percentage accuracy and accuracy in management finance area	%	100.00	100.00	100.00	Very
3.	Improve regional owned enterprises Performance	Percentage regional owned enterprises dividends to total number inclusion regional owned enterprises capital	%	18,57	18,88	101,67	Very Good
4.	Improve asset management area	Percentage of assets the area could optimized	%	54.03	57.66	105.61	Very Good

*Source: Performance reports on government agencies of the revenue office, financial management, and assets of the Special Region of Yogyakarta*

From the table above, there are four indicators divided into four targets strategic. In 2016, four indicators met the target set or 100% of the total indicator. The highest achievement in the indicator of the percentage of regional assets with a percentage of 105.61%, while the indicator experienced low performance is an indicator of the percentage of accuracy and within Regional financial management with a percentage of 100%.

**Tabel 3.3.**

**The accuracy of regional financial management year 2016**

No	Description of Weight Value	Accuracy*) Weight	Value Accuracy *)
1	2	3	4
1.	Regional Regulation No.14 about DIY APBD year 2016 approved 2016 dated December 27, 2015, about (50% weight)	50%	
	February 28, 2017, as many as 46 DIY's SKPD has compiled a financial report 2016 (50% weight)	50%	
	LHP BPK RI No. 22B / LHP / XVIII.YOG / 05/2016 dated May 30, 2016, there were five findings SPI examination (weighing 60%)		60%
	LHP BPK RI No. 22C / LHP / XVIII.YOG / 05/2016 dated May 30, 2016, there were four findings compliance check (weight 40%)		40%



*Sources: Regional Budget Regulation, 2016 Local Government Finance Report, and Indonesian BPK LHP, processed*

The target of improving quality of regional financial management is an important target because it is a technical reason and policy reason. Technical reasons related to integration planning and budgeting system module. While it could be related to the policy reasons the same perception and conception for each stakeholder of local government budget policy on regional financial management. Benchmarks for achieving the objectives of improving the quality of financial management in this area consist of one indicator, namely the indicator of percentage accuracy, accuracy in financial management and regional assets with the following formulations: calculation for accuracy: APBD is approved on December 31 (50%), and all SKPD have finished compiling financial statements on February 28 (50%), and accuracy: SPI weight value (60%) plus compliance weighting value (40%).

To compile APBD for the 2016 Fiscal Year, based on the Minister of Home Affairs Regulation No. 52 of 2015 concerning Guidelines for Preparing Regional Budget for 2016 Budget Year. Following the circular letter of the Governor of the Special Region of Yogyakarta addressed to the Head of the Regional Work Unit (SKPD) in the Government of Yogyakarta Special Region, the 2016 RKA-SKPD Preparation Year was published on 15 October 2015 with Number: 903/10269. The preparation and discussion of the RKA, SKPD, and RKA PPKD as well as the drafting of the Draft Regional Regulation on APBD are using the format of the Regional Financial Management Information System (SIPKD) online. Submission of the Regional Budget Draft Regional Regulation to

the DIY DPRD dated October 19, 2015, a joint decision between the Governor and the DPRD Number 83 / K / DPRD / 2015 and 18 / PERS-BER / 2015 dated November 30, 201 concerning the Draft Local Regulation APBN TA.2016.

The submission of Regional Regulation Draft on APBD to the Minister of Home Affairs to be evaluated with the regulation number 903/14211, on 29 November 2015 and clarification by the Ministry of Home Affairs on 8 December 2015 with the Decree of the Minister of Home Affairs Number 903-6205 2015, on 21 December 2015 concerning Evaluation of the DIY Draft Regional Regulation TA.2016 and the DIY Governor Regulation concerning the Elaboration of the TA.2016 APBD. The Ministry of Home Affairs evaluation results are submitted to the DIY DPRD with a letter from the Governor dated December 21, 2015 Number 903/12525. The results of the conclusions of the discussion of the evaluation with the DIY DPRD contained in the DPRD Leadership Decree Number 108 / KP / DPRD / 2015 dated 23 December 2015. The draft Regional Regulation of DIY APBD TA.2016 was determined by Regional Regulation Number 14 of 2015 27 December 2015 concerning the DIY APBD TA.2016. To compile the financial statements for the end of 2016, the DIY Regional Government has issued Regional Secretary Circular Number 910/15421 dated December 27, 2016, Page: 2016 Budget Implementation Accountability Report addressed to the Head of Service / Agency / Office / and SKPD as PA / KPA Recipients of Privileges Funds in the Special Region of Yogyakarta Regional Government.

The financial statements prepared are accrual-based financial statements consisting of 7 reports, namely LRA, Balance Sheet, Operational Reports, reports changes in equity, cash flow statement, report on changes in Over Budget Balance (SAL) and notes to financial statements, using the Regional Financial Management Information System (SIPKD) application. As of February 2017, as many as 46 SKPDs have finished compiling their 2016 financial statements. From the financial statements of each SKPD, it is consolidated into an unaudited DIY Regional Government financial report as a reporting entity. The DIY Inspectorate will then review DIY unaudited Regional Government Financial Report of 2016 before being submitted to the Republic of Indonesia Supreme Audit Agency (BPK RI) for further inspection. Based on the report of the examination results of the Representative Office of the Yogyakarta Special Province Number: 22B / LHP / XVIII. YOG / 05/2016, on 30 May 2016 concerning the Report on Examination Results of the Internal Control System, there were five audit findings related to administration (weighing 60%), and based on the Report on the Examination of the Representative Office of the Yogyakarta Special Region Number 22C / LHP / XVIII. YOG / 05/2016, dated 30 May 2016 concerning Report on Examination of Compliance with Legislation, there are four findings of audit-related compliance against legislation (weighing 40%).

Achievements in the performance of the percentage accuracy indicators and accuracy in financial management and local assets in 2016 is amounted to 100% of the target of 100%, so the realization of the performance achievement was 100%. With regard to the 2015 achievement of 100%, the realization in 2016

was 100%, meaning that the realization was achieved, when compared to the realization in 2014 and 2013 it could not be compared, because the target indicators of improving the quality of regional financial management changed according to the Revised RPJMD 2012 - 2017 and revised Strategic performance key indicators even though the target is the same. Concerning to the final target of the 2017 Strategic Plan Revision, the 2016 performance achievement is 100%, meaning that the final target of the Strategic Plan Revision has been achieved.

Factors encouraging the achievement of performance targets for improving the quality of regional financial management is including regulations as legal base arranged, implementing HR and financial managers have been arranged, the existence of leadership policies, available supporting infrastructure, systems used for budgeting planning, administration, accountability and financial reporting assets have been integrative and applicable in the implementation of the actual basis, in addition to the findings of the supervisory personnel and immediately followed up. Efforts are being made to maintain the quality of regional financial management, including socialization of regulations related to regional financial management, workshops on the preparation of financial reports, technical guidance and assistance in the preparation of APBD and financial reports, data reconciliation and desk preparation of goods reports and depreciation as well as financial reports to officers of each SKPD, guarantee network availability and reliable operation system and additional volume of four special training classes on accrual-based financial management.

