

The Effectiveness Budget Control Government of Ogan Ilir Regency: The Impact on Supervision and Competence

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Abstract

Purpose: This study carried out to examine and analyze the impact of supervision and Competence on the effectiveness of Ogan Ilir district budget control. **Methodology Approach:** The population of this study was 26 regional apparatus organizations (OPD). Determination of the sample used by purposive sampling technique. After the questionnaire distributed to respondents, 102 samples met the criteria. The analysis used in this study is a multiple linear regression model. **Finding:** The findings of this study note that preventive, defective supervision and Competence of human resources both partially and simultaneously have a positive and significant relationship to the effectiveness of budget control with a coefficient of determination of 62.5%. **Practical Implications:** For the effectiveness of budget control to run effectively and efficiently, policymakers must focus 37.5% of other factors that can influence other than the variables in this study.

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INTRODUCTION

Since autonomy came into force in 1999, there have been several changes that have governed the running of the regional government. The current regulation is UU No.23/ 2014 with the consideration that the regional government directed to accelerate the realization of community welfare through improved services, empowerment, and community participation. The regional government in this law is encouraged to increase local and global competitiveness. Besides, the principles of democracy, equity, justice, uniqueness of an area efficiency, the effectiveness of its administration are the responsibility of regional governments in the unity of the system of governance of the state.

Although the regulations on local government have changed, the regulations on regional finances still use UUNo.33/2004. These rules are still relevant in the effective and efficient management of regional finances to achieve the targets set. The government issued Regulation PP No.58/2005 on regional financial management, in addition to that it was also supported by the guidance and supervision of state administration PP No.17/2017 and PP No. 13/ 2019 regarding reports and evaluations of regional government implementation with the aim the creation of good governance. (Egbide and Agbude 2018) Furthermore, the World Bank in (Mardiasmo 2009) stated that good governance requires management of government that can bring democratic principles, accountability, transparency, accountability, effectiveness and efficiency in governance. Referring to the theory of regulation (Baldwin *et al*, 2012), it is necessary to have a competent supervisory apparatus to carry out compliance with the rules besides guiding regional financial managers.

Supervision (Mocanu, 2014 ; Fajri, 2018) was intending as a guide in helping the implementation of the work program so that it can run according to the goals set. Oversight of the budget (Puadi, 2013 ; Suharyono, 2019) is the work program implementation activities that have been prepare to run effectively, efficiently and on target. Supervision of this budget in practice is carried out by the state civil apparatus referred to as a form of accountability and transparency in ensuring that there is no deviation in the use of state funds. (Fajri, 2018) divides two supervision namely preventive and defective, where preventive supervision is carried out before the implementation of the activity while detective supervision after the implementation of the activity to oversee the running of the budget.

The results of the BPK examination in 2017 found that there were weaknesses in the Internal Control System in the Ogan Ilir local government. In 2018 the Regional Development Work Plan (RKPD) that one of the significant challenges faced by Ogan Ilir District was "not an optimal performance of government apparatus services". In addition to the above problems also felt by the Ogan Ilir community such as slow service, less timely completion of development and limited human resources in compiling more effective budgets and the state civil apparatus is considered to be of poor performance. Based on the identification of the problems above, this research focused on knowing whether supervision, the competence of the state civil apparatus has a beneficial effect on budget control in Ogan Ilir Regency.

Preventive and defective supervision

According to (Horvath, 2006 ;Baldwin et al., 2112; Mocanu, 2014) provides a definition that control as a subsystem that supports company management starts from planning, coordinating and controlling and providing information under the objectives. While the purpose of supervision is as an effort to implement a plan that has been prepared previously, supervision according to Baswir in (Fajri 2018) can be grouped into two, such as Preventive Supervision, namely supervision carried out before the start of the implementation of an activity. Then defective supervision is supervision activities carried out after the occurrence of state financial expenditure by examining and assessing accountability for financial performance. To anticipate collusion between executors and supervisors, are needed accountability and transparency in financial management.

Competence

According to (Dessler, 2015 ; Sopian *et al*, 2020) competence is a human resource that has the ability of knowledge, skills and character. While the Regulation of the National Civil Service Agency (BKN)No. 8/2019 regarding Guidelines and Procedures and Implementation of the Measurement of the State Civil Service Professionalism Index (ASN) there are standards and dimensions for measuring the ASN professionalism index, namely Qualification, Competency, Performance and Discipline. Another opinion of Chapman 1999 in (Roeleejanto *et al*,2015) states that Competency is a set of knowledge, skills and attitudes that must be possessed by a person in carrying out his work without leaving aspects of personality and ability of social skills in carrying out his duties.

Effectiveness of Budget Control

The budget according to (Bastian, 2017; Surianti & Dalimunthe, 2017) is a statement of estimated

future income and expenditure in the future or in a certain period, which is realized in financial form and used by the organization as a controller and appraiser of performance. (Mardiasmo 2009) states that budgeting can be declared valid if the work program of a budget is running according to the goals and objectives of the program. So the effectiveness of a budget can be said to be useful if the costs incurred by the organization to achieve goals without looking at the number of costs incurred.

Control, according to (Alim 2008) is an effort aimed at the implementation of the budget does not deviate from the goals and objectives set. Whereas supervision according to (Fajri 2018) divides supervision into 2 (two), namely preventive and defective, where preventive supervision is carried out before the implementation of activities while defective supervision carried out after the implementation of activities to oversee the running of the previously prepared budget.

METHODS

In this study, there are 3 (three) independent variables consisting of Preventive Supervision (X1), Detective Supervision (X2), and Competency (X3) and 1 (one) dependent variable namely Budget Control Effectiveness (Y).

Population and Sample

(Fauzi *et al.*, 2019) states that a population is a group of people or individuals that are the objectives of the study, while (Sugiono 2012) states that the sample is an element or characteristic that belongs to that population. The population and sample in this study are regional government organizations (OPD) where from the number of questionnaires that have been distributed based on criteria, only 102 samples meet the standards for further testing.

Multiple Linear Regression Analysis

To find the relationship between two or more independent variables with one dependent variable, the multiple linear regression equation with the following formula:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Information :

Y = Effectiveness of Budget Control

a = constant

$\beta_1, \beta_2, \beta_3$ = Regression coefficients X1, X2, X3

X1 = Preventive Monitoring

X2 = Detective Oversight

X3 = Competency

e = error

After obtaining the results of multiple linear regression equations then look for the value of the coefficient of determination (R^2), Partial Test (t-test) and Simultaneous test (Test F)

RESULTS AND DISCUSSION

Results of Multiple Linear Regression Analysis

The results of the analysis using multiple linear regression models using the help of the Statistical Product and Service Solution version 24 program appear in the following table:

Table 1. Results of Multiple Linear Regression

| Coefficients ^a | | | | | |
|---------------------------|-----------------------------|------------|---------------------------|--------|------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1 (Constant) | ,177 | 2,110 | | ,084 | ,933 |
| X1 | ,107 | ,051 | ,129 | 2,089 | ,039 |
| X2 | ,524 | ,052 | ,629 | 10,151 | ,000 |
| X3 | ,397 | ,070 | ,353 | 5,654 | ,000 |

a. Dependent Variable: Y

Source: Data processed (2019)

The results of data management in table 1 in the column Unstandardized Coefficient section B where the multiple linear regression equation model is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

$$Y = 0.177 + 0.129X_1 + 0.629X_2 + 0.353X_3 + e$$

Information:

Y: Effectiveness of Budget Control

X1: Preventive Monitoring

X2: Detective Oversight

X3: Competence

The regression equation obtained can be explained that the constant value is 0.177, which means that if the value of preventive supervision and detective supervision and competence is assumed to be equal to 0, then the Effectiveness of Budget Control will constantly be worth 0.177. Furthermore, the regression coefficient value for the Preventive Controls variable (X1) of 0.129 means that Preventive Control has a positive effect on the Effectiveness of Budget Control.

Furthermore, the regression coefficient level for the Detective Oversight variable (X2) is 0.629. Means Detective Supervision has a positive effect on the Effectiveness of Budget Control. Then the regression coefficient level for the HR Competency variable (X3) is 0.353. It means that competence has a positive effect on the effectiveness of budget control and standard errors indicating the level of confounding errors.

Hypothesis Test Results

Determination Coefficient Test (R^2)

The Coefficient of Determination (R^2) test is performing to determine the value of the correlation of the independent variable (X) with the dependent variable (Y). The higher the coefficient of determination, the better the ability of the independent variable in explaining the dependent variable.

Table 2. Determination Coefficient Test Results (R^2)

| Model Summary ^b | | | | | |
|---------------------------------------|-------------------|----------|-------------------|----------------------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | ,797 ^a | ,636 | ,625 | 1,366 | 2,397 |
| a. Predictors: (Constant), X3, X1, X2 | | | | | |
| b. Dependent Variable: Y | | | | | |

Source: Data processed (2019)

Based on the multiple regression test results obtained R of 0.797, which means that the correlation/relationship between Preventive Control, Detective Supervision, and Competence has a relatively stable relationship of 79.7%. While the value of R Square or the value of the coefficient of determination obtained by 0.636. It means that variable X has the effect of a contribution of 63.6% on the Y variable. While the rest (100% - 63.6% = 36.4%) is explain by other independent variables not included in this study. The adjusted R Square value of 0.625 or 62.5% shows the size of the contribution of the influence of the independent variable on the dependent variable.

Test Results of Partial Significance (t-Test)

Partial test (t-test) of the independent variables conducted to determine the value of each independent variable, whether or not it significantly affected the dependent variable. Following are the results of the partial Significance test (t-test):

Table 3. Results of Partial Significance Tests (t Test)

| Coefficients ^a | | | | | |
|---------------------------|-----------------------------|------------|---------------------------|--------|------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | B | Std. Error | Beta | | |
| 1 (Constant) | ,177 | 2,110 | | ,084 | ,933 |
| X1 | ,107 | ,051 | ,129 | 2,089 | ,039 |
| X2 | ,524 | ,052 | ,629 | 10,151 | ,000 |
| X3 | ,397 | ,070 | ,353 | 5,654 | ,000 |

a. Dependent Variable: Y

Source: Data processed (2019)

T-test results show the value of t count and the significance of each independent variable, among others, Preventive Control Variable (X1) t value of 2.089 > t table 1.984 with a significance level of 0.039 < 0.05, then Ha is accepted, and Ho rejected. So it was concluded that the variable X1 partially had a positive and significant effect on the variable Y. Then the Detective Oversight Variable (X2) t count 10.151 > t table 1.984 with a significance level of 0.000 < 0.05 then Ha was accepted, and Ho rejected. So it was concluded that the variable X2 partially had a positive and significant effect on the variable Y. Competence Variable (X3) t count value of 5.654 > t table 1.984 with a significance level of 0.000 < 0.05 then Ha was accepted, and Ho rejected. It concluded that the X3 variable partially had a positive and significant effect on the Y variable.

Simultaneous Significance Test Results (Test F)

Simultaneous testing (F test) is a test on all independent variables in this study, as shown in the table below:

Table 4. Simultaneous Significance Test Results (F test)

| ANOVA ^a | | | | | | |
|--------------------|------------|----------------|-----|-------------|--------|-------------------|
| | Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 319,011 | 3 | 106,337 | 57,007 | ,000 ^b |
| | Residual | 182,803 | 98 | 1,865 | | |
| | Total | 501,814 | 101 | | | |

a. Dependent Variable: Y
b. Predictors: (Constant), X3, X1, X2
Source: Data processed (2019)

F test results show that the value of F count is 57,007, and the significance is 0,000. Means that F count 57.007 > F table 2.70, so it concluded that together or simultaneously variables X1, X2, and X3 affect the variable Y. The significance value of 0,000 < 0.05 or 5%, so it can conclude that overall independent variables namely preventive supervision (X1), detective supervision (X2), and competence (X3) have a significant influence on the dependent variable namely the effectiveness of budget control (Y).

Effect of Preventive Supervision on the Effectiveness of Budget Control

Based on hypothesis testing, the value of t for the Preventive Controls variable is 2.089 > the value of the table is 1.984, and the significance value is 0.039 < 0.05. So it can be concluded that the Preventive Oversight variable has a positive or significant effect on the Budget Control Effectiveness. As the implementation of preventive supervision increases the effectiveness of budget control will also increase. Means that Ha was accepted or Ho rejected.

The results of this study are in line with this theory in line with the theory (Baswir 1999) that the existence of both preventive supervisions can prevent budget misuse. Besides, oversight of the use of the budget can lead to the effective and efficient implementation of the work program. This study is in line with the results of previous studies conducted by (Puadi, 2013; Fajri, 2018; Rigian & Sari, 2019) that preventive supervision has a positive influence on the effectiveness of budget control. On the contrary, (Peuranda and Herdi 2014) stated in his research that there was no correlation between preventive supervision and the effectiveness of budget control.

Effects of Detective Oversight on the Effectiveness of Budget Control

Based on the results of hypothesis testing, the t count for the Detective Oversight variable was 10.151 > the t table value was 1.984 and the significance value was 0.000 < 0.05. Then it can be concluded that the Detective Oversight variable has a relationship or a positive and significant effect on the Effectiveness of Budget Control. The detective supervision carried out, the effectiveness of budget control will also increase. Means that Ha was accepted or Ho rejected.

The results of this study are in line with the opinion (Baswir 1999) that the existence of both defective supervisions, the supervisor can evaluate the accountability report documents. Supervision and inspection are not only carried out by superiors on subordinates, preferably, and evaluations carried out to prevent budget misuse for the effectiveness of local government budgets.

This research is in line with the results of previous research conducted by (Puadi 2013) and (Fajri 2018) which states that detective supervision has a positive effect on the effectiveness of budget control, thus meaning that increasing detective supervision will also increase the effectiveness of budget control.

Effect of Competence of Human Resources on the Effectiveness of Budget Control

Based on the results of hypothesis testing, the t count on the Human Resources Competency variable was 5.654 > the table value was 1.984, and the significance value was 0.000 < 0.05. So that the Competency variable has a positive or significant relationship or influence on the Effectiveness of Budget Control, if the quality of human resource competencies is good, the control of the budget will be more effective. Means that Ha was accepted or Ho rejected.

According to (Dessler, 2015; Bulan *et al*, 2017) that the importance of human resource competence in a government so that it can carry out the main tasks that have been arranging. Besides, in the financial management of state government apartments, the state must have competence following their fields so that the budget can adequately documented according to the principles of government accounting.

This study is in line with the results of previous studies conducted (Arsyiati, Darwanis, & Djalil, 2008 ; Arsyiati et al., 2008) which states that the quality of financial managers has a positive effect on the effectiveness of financial management, meaning that the quality of financial managers / human resources is increasing. Will be more effective financial management in terms of budget control.

Effects of Preventive Oversight, Detective Oversight and Human Resources Competence on the Effectiveness of Budget Control

Based on the results of hypothesis testing, the calculated value for the variables Preventive Oversight, Detective Oversight and Competence was 57.007 > the f table value was 2.70, and the significance value was 0,000 < 0.05. Then it can be concluded that the variables Preventive Supervision, Detective Supervision and HR Competence have a relationship or a positive and significant effect on the Effectiveness of Budget Control. Means that Ha was accepted or Ho rejected.

The results of the analysis of the strength the relationship simultaneously to find out how much the independent variable explains the dependent variable, can be determined through the coefficient of determination R² that is Adjusted R Square of 0.625 or 62.5%. In comparison, the remaining 37.5% is influenced by other variables that the researcher did not include in the study this is like the application of SPI, implementation of performance-based budgeting and others.

This study is in line with the results of previous studies conducted by (Puadi, 2013 ; Fajri, 2018) but then researchers added the competency variable of human resources as an extension of previous researchers because of the presence of preventive supervision and proper detective supervision and supported by human resources than the budget control in Ogan Ilir district becomes more effective and efficient.

CONCLUSION

Based on the results of data analysis and testing of hypotheses that have been describing in the previous chapter, it can conclude that supervision, both preventive and defective, can improve the effectiveness of budget control.

Then human resource competence has a positive and significant influence on the effectiveness of budget control, this shows the existence of preventive supervision and detective supervision, and the more qualified and competent human resources, the effectiveness of budget control will also increase.

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