JURNAL

TATA KELOLA DAN AKUNTABILITAS KEUANGAN NEGARA

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BADAN PEMERIKSA KEUANGAN
DIREKTORAT PENELITIAN DAN PENGEMBANGAN

JURNAL TATA KELOLA DAN AKUNTABILITAS KEUANGAN NEGARA

Jurnal Tata Kelola dan 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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Foreword

As a Supreme Audit Institution, BPK RI has three main roles including oversight, insight, and foresight in the management of state finances. So far, the role of BPK is still dominated at the oversight level, while for the level of insight and foresight there are not many. When all roles can be carried out by BPK, then the existence of BPK as a supreme audit institution will be much more beneficial for the community. In the foresight role, BPK is expected to provide a future overview of the implications of a government decision/policy and identify challenges that will arise before they become a crisis. Especially with the Covid-19 Pandemic, BPK is expected to be able to increase its role by providing insight and foresight in the form of studies of state finance policy and financial system stability in the context of handling Covid-19. The BPK Strategic Plan 2020-2024 pays more attention to increasing the role of BPK's insight and foresight, one of which is by improving the quality of audits in a strategic, anticipatory, and responsive manner.

This edition begins with an article entitled "Analysis of BPK legal basis for foresight auditors for the accelerated achievement of the sustainable development goals". The article discusses the legal basis for the BPK's authority in conducting foresight audits. Using a normative approach, this article states that the legal basis or legal instruments for the exercise of BPK's foresight audit authority is sufficient but still needs to be improved. The addition of legal instruments and authorities can be a solution to ensure that any foresight audit performed in the future can run optimally.

The second and third articles were focused on human resource management policy. The article entitled "The effect of human resources and information technology on the revaluation of government fixed assets" aims to determine the level of significance of human resources competencies and use of information technology in the revaluation of assets. Meanwhile, "Policy analysis and implementation of mutation and employee placements on performance and career development" measure the effectiveness of employee transfer and placement implemented in several institutions in Indonesia. From these two articles, it can be learned that human resource management policies play an important in improving organizational performance.

The formulation of a national development strategy requires coordination and synchronization between planning and budgeting at the central and regional levels. The article "The implementation of restructuring program and activities based on the money follow program in regions" tries to describe the implementation of the money follow program planning and budgeting paradigm. This paradigm is a new paradigm after the preparation of planning and budgeting by using the money follow function paradigm has been considered problematic.

The fifth article of this journal is still about budgeting, is entitled "Are local government overconfidence increases the effect of budget forecast errors on budget deviation?" The purpose of this study is to examine the effect of budget forecast errors on budget deviations moderated by local governments' overconfidence during the 2017-2019 period. Last but not least, this edition is closed with the article "The Audit Board of the Republic of Indonesia's opinion: Between regional financial performance and public welfare (the study on regencies and cities in Riau Province)". This study aims to determine and analyze the effect of local government financial performance on public welfare with the opinion of the Supreme Audit Board of the Republic of Indonesia (BPK) as a mediation. The study was carried out using path analysis showing that the financial performance of local governments has a positive and significant relationship with the welfare of the community, but not significant to the opinion of the BPK.

We thank the contributors for sharing their ideas and thoughts through the articles that have been submitted. 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 opinions, ideas, and thoughts through articles related to governance and accountability of state finances.

Furthermore, we would like to thank and extend our gratitude to the editorial team and reviewers. We hope that the articles published in the December 2020 edition can be useful to enhance the knowledge of readers and become a reference for the development of academics and practitioners for policy formulation.

Editor in Chief

Emmy Mutiarini, S.E., Ak., M.Si., CA, CSFA.

ANALYSIS OF BPK LEGAL BASIS FOR FORESIGHT AUDITORS FOR THE ACCELERATED ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

Angga Kiryaditama Putra

Law Number 15 of 2004 and Law Number 15 of 2006 only lay down the authority of the BPK in conducting audits in general and the types of audits that can be conducted by BPK. These regulations, however, do not specifically and explicitly provide the authority to the conduct of a foresight audit. Foresight audit launched by BPK in the 2016-2020 BPK Strategic Plan will be very important in the achievement of sustainable development goals (SDGs) by 2030, given that the BPK will provide feedback and suggestions on important future policies to accelerate the achievement of SDGs. Legal instruments have an important role for BPK as the legal basis for the institution in achieving the Highest Maturity Model of the Accountability Organization in conducting a foresight audit. This study employs a normative legal research method that aims to explore and study regulations that support BPK as a foresight auditor in the future. The results illustrate that the legal basis or legal instruments for the exercise of BPK's foresight audit authority is sufficient but still needs to be improved. The addition of legal instruments and authorities can be a solution to ensure that any foresight audit performed in the future can run optimally and accelerate the achievement of the SDGs.

THE EFFECT OF HUMAN RESOURCES AND INFORMATION TECHNOLOGY ON THE REVALUATION OF GOVERNMENT FIXED ASSETS

Indra

The central government has implemented a government fixed asset revaluation policy. The main objective of the policy is to present the fair value of fixed assets in the government's financial statements. However, the results of fixed asset revaluation are not accepted by the BPK and must be corrected and recorded in the government financial statements for the 2019 fiscal year. Competent human resources and the use of information technology are considered two factors needed to achieve the revaluation objectives. This study was conducted to determine the level of significance of these two factors by distributing questionnaires to BMN officers and assessors from 82 ministries/agencies throughout Indonesia. The research data were processed by path analysis method using the Structural Equation Model (SEM) partial least squares (PLS) through Smart PLS 3.3.2 software used to assess measurement models and research structural models. The results of data processing concluded that the competence of human resources and information technology has a significant effect on the revaluation of government fixed assets. However, information technology needs to be improved again because the significance value is only half that of the human resources competency value.

POLICY ANALYSIS AND IMPLEMENTATION OF EMPLOYEE MUTATION AND PLACEMENT ON EMPLOYEE'S PERFORMANCE AND CAREER DEVELOPMENT

Maria Ulfah, Dewi Prastiwi

This study aims to assess the effectiveness of employee mutations and placements applied to several institutions in Indonesia. This research uses the meta-synthesis method by conducting a review of 31 previous studies listed in the research media. The results of the study found that government agencies in Indonesia have implemented mutation policies based on applicable regulations ranging from the law to local regulations on several factors, the value of improving performance and productivity, career development and promotion, to filling vacant positions. However, several studies have found that there is still corruption, collusion and nepotism, political affiliation, family connections, and close relations with superiors which causes a mismatch between the placement of employees and their competencies. Transfer of employees based on a merit system are indicated to improve performance including public services in providing information to create public sector accountability. Career development and promotion can also expand knowledge and experience to produce creative and innovative employees to support the achievement of organizational goals.

THE IMPLEMENTATION OF RESTRUCTURING PROGRAM AND ACTIVITIES BASED ON THE MONEY FOLLOW PROGRAM IN REGIONS

Melati Ayuning Pranasari , Suci Emilia Fitri

The current planning and budgeting paradigm has changed from money follows function into money follows program but this paradigm is considered to not provide clear and concrete benefits. Likewise, the implementation of the money follows program was still problematic, such as program restructuring and problematic activities. Based on these problems, the purpose of this study is to determine the implementation of restructuring programs and activities of local governments and the factors that support and hinder the implementation of restructuring programs and activities in local governments since the enactment of the money follow program. The method used in this study is a descriptive method with a qualitative approach. The results show that programs and activities planned by using the money follow program approach have been implemented in several locus study areas (West Sumatra Province, West Java Province, and Yogyakarta Province). However, the implementation still varies. There are still doubts for the regions in the implementation, especially because it is related to the legal basis. Likewise, there are several inhibiting factors such as human resources, policy substance, implementer behavior, and network interactions. For this reason, the study concludes that it is necessary to make adjustments to the central government policies related to regional development planning guidelines and budget allocation.

ARE LOCAL GOVERNMENTS OVERCONFIDENT WITH THE EFFECT OF BUDGET FORECAST ERRORS ON BUDGET DEVIATION?

Amor Marundha

This study aims to examine the effect of budget forecast errors on budget deviations moderated by local governments' overconfidence. The research sample used regency/city governments in Indonesia during the 2017-2019 period. The analysis tool uses Eviews version 10 and SPSS version 22. The results showed that budget forecast errors had a positive and significant effect on budget deviation, but the local government's overconfidence cannot cause an effect of budget forecast errors on the budget deviation. Additional test results of this study also showed that regency/city governments who were overconfident tend to fail in controlling their budget which could cause a surplus or deficit compared to local governments that were not overconfident. The same conditions apply to budget forecast errors. This means that regency/city governments that are overconfident tend to estimate budgets that are too high for revenue and/or budget estimates that are too low for expenditure compared to local governments that are not overconfident. Consistent with the main test results, this study shows that budget forecast errors have a significant effect on budget deviation and tend to occur in the Central Indonesian region category. Furthermore, overconfident regency/city governments cannot moderate the effect of budget forecast errors on budget deviations. Finally, these findings indicate that there is no difference between the budget forecast errors and the budget deviation in the three categories of western, central, and eastern Indonesia.

THE AUDIT BOARD OF THE REPUBLIC OF INDONESIA'S OPINION: BETWEEN REGIONAL FINANCIAL PERFORMANCE AND PUBLIC WELFARE (THE STUDY ON REGENCIES AND CITIES IN RIAU PROVINCE)

Golden Victor Vica Roy Saragih, Arby Novrika Hasibuan

This study aims to determine and analyze the influence of local government financial performance on public welfare with the opinion of The Audit Board of the Republic of Indonesia (BPK) as mediation. This study was quantitative using panel data of 12 regencies and cities in Riau Province. The secondary data used was local government financial performance data, public welfare data, and the opinion from BPK Riau Representative from 2014 to 2018. The data analysis tool used for the hypothesis testing was path analysis with the SEM-PLS approach. The result shows that local government financial performance has been positively and significantly correlated to the public welfare in the regencies and cities in Riau Province, but not significant to the BPK's opinion. Besides, the BPK's opinion also does not correlate to public welfare. These findings indicate that the opinion of BPK has not been able to verify the correlation between the local government's financial performance and public welfare. Thus, it cannot be a benchmark in predicting the public welfare level.

ANALYSIS OF BPK LEGAL BASIS FOR FORESIGHT AUDITORS FOR THE ACCELERATED ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

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ABSTRACT

Law Number 15 of 2004 and Law Number 15 of 2006 only lay down the authority of the BPK in conducting audits in general and the types of audits that can be conducted by BPK. These regulations, however, do not specifically and explicitly provide the authority to the conduct of a foresight audit. Foresight audit launched by BPK in the 2016-2020 BPK Strategic Plan will be very important in the achievement of sustainable development goals (SDGs) by 2030, given that the BPK will provide feedback and suggestions on important future policies to accelerate the achievement of SDGs. Legal instruments have an important role for BPK as the legal basis for the institution in achieving the Highest Maturity Model of the Accountability Organization in conducting a foresight audit. This study employs a normative legal research method that aims to explore and study regulations that support BPK as a foresight auditor in the future. The results illustrate that the legal basis or legal instruments for the exercise of BPK's foresight audit authority is sufficient but still needs to be improved. The addition of legal instruments and authorities can be a solution to ensure that any foresight audit performed in the future can run optimally and accelerate the achievement of the SDGs.

KEYWORDS:

Authority; foresight audit; legal basis; SDGs; policies

INTRODUCTION

The Supreme Audit Board of the Republic of Indonesia (BPK) is one of the state institutions that are identified in the most fundamental basis of all legal instruments in Indonesia, namely Indonesia's amended Constitution of 1945. Not many external audit institutions in other countries enjoy the high position afforded to BPK in Indonesia. In this regard as a state institution, BPK has the constitutional authority to examine the management of and accountability in state finances which is expressly provided in Article 23E of the amended Constitution. Article 23E is elaborated into a regime of laws regarding state finances consisting of Law Number 17 of 2003 concerning State Finances, Law Number 1 of 2004 concerning State Treasury, and Law Number 15 of 2004 concerning The State Financial Management and Accountability Audit. As such, the general authority of BPK as an external auditor of state finances mandated in Article 23E of the amended Constitution and the regulatory instruments governing state finances are sufficient. However, according to the author's hypothesis, there is still an absence of rules that specifically grant authority relating to foresight audits.

The roles, functions, and duties of BPK as a foresight auditor will be greater as BPK would be tasked with rendering its considerations and views on future policies to stakeholders, especially the government. In other words, BPK must have a visionary view going forward to determine future government policies with support from adequate regulations. In determining future government policies, BPK can consider achieving 17 sustainable development goals by 2030 through recommendations given. In achieving the Sustainable Development Goals (SDGs), a compilation of 17 global goals with 169 goals, the Supreme Audit Institutions (SAIs) are invaluable. In promoting and fostering the effi-ciency, accountability, effectiveness, and transparency of public administration, the United Nations (UN) believes SAIs are important. The International Organization of Supreme Audit Institutions (INTOSAI) has set out to develop a framework for SDG-related audits. Because SDGs are global agendas, now, more than ever, coordination between SAIs in an audit is imperative (Rajaguguk, Yatnaputra & Paulus, 2017). In Europe, the European Court of Auditors has prioritized auditing the SDGs for several years. Half of 26 special reports and reviews were already concerned with sustainability issues in 2014. This was no accident, as sustainability auditing was one of our top three priorities in the strategy up to 2017 (Owen, 2019).

At present, BPK has basically paid attention to sustainable development as seen from the role of the Expert Staff on the Environment and Sustainable Development (Staf Ahli Bidang Lingkungan dan Pembangunan Berkelanjutan BPK). Also, the target of social welfare and environmental aspects has been contained in BPK's vision and mission. The compilation of SDG programs in the National Medium Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional, RPJMN) also imposes an obligation to BPK to carry out audits related to the SDGs and will see the results/outcomes in the fifth year at the end of such RPJMN term (Simanjuntak, 2019). This is stated in Article 2 paragraph (2) of Presidential Regulation (Peraturan Presiden, Perpres) Number 59 of 2017 concerning the Implementation of the Achievement of SDGs which states that the national targets in the RPJMN are in line with the SDGs. However, BPK's recommendations for future government policy will continue to be one key to accelerate the achievement of the 17 sustainable development goals. BPK regulations and the legal basis on which it carries out its mandates are currently enough to allow it to perform au-

dits at the foresight audit level, but improvement is still needed.

Types of audit, types of recommendation, forms of recommendation, scope limitations, scope, and support between agencies to carry out follow-up actions need to receive attention in these regulations for BPK to gain the support it needs as a foresight auditor. In a system of governance, a group of organs (tools) of the government both broadly and narrowly must work together to achieve the goals of the state, as is stated in the Preamble of the amended 1945 Constitution (Radjab, 2005). Given this requirement, the performance of a foresight audit would not be feasible if the auditee fails to work together with BPK to support the tasks and functions of BPK as the foresight auditor. BPK recommendations that are not followed through by the auditee may be one of the potential problems that BPK can face from lack of effective regulation and coordination. Auditee's views which often still look at BPK as an examining body and only look for mistakes or make audit findings must begin to be changed, including from internal BPK. The consequence of BPK acting as a foresight auditor is the creation of its role as an agent of change, functioning to fix the system, build ideas, thoughts, better ideas and provide recommendations on long-term policies or future policies to accelerate the achievement of the SDGs.

The program for developing planning objectives are summarized in the document "Transforming Our World: The 2030 Agenda for Sustainable Development". The program was prepared in the hope of answering the underdevelopment of countries around the world (Hoelman, Parhusip, Eko, Bahagijo & Santono 2015). This program produces 17 points of sustainable development with 169 integrated and inseparable targets and is committed to achieving sustainable development in three main aspects, namely: eco-

nomic, social, and the environment in a balanced and integrated manner (United Nations, 2015b). The role of the three main aspects is also mentioned in Article 2 paragraph (2) of Perpres Number 59 of 2017.

The accelerated achievement of the SDGs' goals is very dependent on how the government formulates its policies in the future. The determination of steps to be taken by the government in the long-term plan to achieve the SDGs goals is very important and crucial as it is a fact that the SDGs' goals cannot be achieved in an instant and within the short term. It takes time, energy, effort, and commitment from all parties to realize the goals. The dedication of several sovereign states and the unprecedented participation of civil society have made it clear that the 2030 Agenda and the SDGs are part of our society as a whole and call upon everyone's duty to adopt them: individuals, corporations, civil society organizations, and political and administrative forces at all levels (Pesce-Monteiro, 2019). With the mission of achieving the SDG goals and its aspiration to become a foresight auditor, BPK is expected to also be able to play the role and assume the position of consultant and provide input/ opinion in the policymaking process (preventive), as well as play a role in the evaluation of government policies through review of reports or performance (enforcement), the latter being of similar nature as the audits BPK has been performing to date.

The purpose of this study is to provide an in-depth study of the readiness of legal instruments that form the basis of BPK's authority to realize its role as foresight auditor based on theories on administrative, statutory, and state financial laws. Results from this study are expected to support the government, House of Representatives (Dewan Perwakilan Rakyat, DPR), BPK, and other stakeholders in undertaking their functions. The outcome of this study is expected to feed into efforts of the executive and legislative branch

of the government, BPK, as well as other relevant institutions to achieve the SDGs' goals.

RESEARCH METHOD

This normative legal research is done through a study of the legal norms embodied in legislation/regulations related to the use of legal principles in state financial law, statutory law, constitutional law, and administrative law. The focus of attention on normative jurisprudence is the view of law as a practical science that can change circumstances and offer a solution to the potential and concrete problems that exist in society. Normative jurisprudence is directly related to the practice of law which involves two main aspects, namely the formation of law and the application of law (Ibrahim, 2005). Normative legal research focuses on positive law inventory activities, principles and legal doctrines, systematic law, the extent of legal synchronization, comparative law, and the history of law (Muhammad, 2004). This study looks into legislations related to the regulation of state finances and provides an explanation of the meanings of its legal norms and links them with BPK's authority, vision, and mission.

Based on the distribution of types of research mentioned by Hutchinson (as cited in Muhammad, 2004), this type of research is doctrinal research and reform-oriented research. Doctrinal research is research that provides systematic exposure to regulations governing certain legal categories, analyzes the relationship between regulations, explains areas that require obstacles, and even predicts future developments. Doctrinal research seeks to make an inventory of positive law and the discovery of the principles and basis of a positive legal philosophy (Wignjosoebroto, 1974), while reform-oriented research is research that intensively evaluates the fulfillment of current provi-

sions and recommends changes to any regulations that are needed (Muhammad, 2004). The approaches used in this research is the statute approach and conceptual approach. The statute approach was carried out by examining all laws and regulations relating to the legal issues being faced. The conceptual approach moves from the views and doctrines that develop in the jurisprudence (Marzuki, 2016).

Legal materials were collected by following the rules normally applied in normative legal research. Normative legal research is different from empirical legal research, in that normative legal research requires legal material to conduct the study or research. Empirical legal research on the other hand requires data. Collection of legal material for this study was done by examining and researching the amended Constitution of 1945, Law Number 17 of 2003, Law Number 1 of 2004, Law Number 15 of 2004, and Law Number 15 of 2006, as well as other related regulations. An analysis of the legal materials is subsequently carried out and they are then linked with concepts and principles embodied in state financial, administrative, constitutional, and statutory laws, as well as the views/research/writings by legal experts.

RESULT AND DISCUSSION

Authority of the BPK to Audit State Finances Pursuant to the Amended 1945 Constitution of the Republic of Indonesia and the Applicable Laws

The constitutional authority of the BPK is laid down in Article 23E of the amended 1945 Constitution and is reduced to three "implementing legislations", namely Law Number 17 of 2003, Law Number 1 of 2004 and Law Number 15 of 2004, and Law Number 15 of 2006. Derivative constitutional authority is described by Attamimi (as cited in

Ridwan, 2007) as a derivative in an administrative position in government, but within the scope of statutory law. Based on the principle of legality in a rule of law state (*legaliteitsbeginsel*), the authority of the government is conferred by the legislation, which theoretically is obtained through three ways, namely attribution, delegation, and mandate. Regarding statutory law, Attamimi states that legislation can take the form of state regulations at the central or regional levels formed based on the authority of the laws and regulations, both attribution and delegation (Attamimi, 1990).

In line with the views of Attamimi, Ranggawidjaja distinguishes between attribution and delegation authority. Attribution of power (*attributie van rechtsmacht*), especially attribution of power in the formation of statutory regulations (*attributie van wetgevende macht*) is often interpreted as granting authority to a particular state agency or institution or official (*ambt*), both by the legislators of the Constitution and the legislators of the Law. In this case the creation of a new authority for and on behalf of the person authorized. By granting such authority, it will give birth or bring forth a new authority and independent responsibility. Meanwhile, the delegation of authority (*delegatie van bevoegdheid*) is intended as a handover or delegation of authority (in this case the authority to form legislation) from a state body or agency or official to another state body or agency or official. The authority that originally existed at an agency or institution or official then handed over or delegated that authority (*delegans*) to the recipient of the authority (*delegataris*) along with the authority and responsibilities that shifted (Ranggawidjaja, 1998).

Based on those explanations, the definition of management and accountability in state finance given in Article 23E of the amended 1945 Constitution became the basis on which

lawmakers construct the state financial legal regime, specifically in order to provide definitions to such terms. The Amended 1945 Constitution does not provide any explanatory articles, thus in compiling the set of state finance laws the legislators must have understood the background situation which gave birth to Article 23E and translated the article into the more concrete form of formal laws.

Kelsen (as cited in Nawiasky, 1948) in his theory *stufenbau des Recht theorie* states that a legal norm in a country is always multi-layered and tiered, namely that lower norms always apply on the basis of and are sourced from higher norms, and the higher norms are based upon and are sourced from even higher norms, all the way up to the highest norm referred to as the Basic Norm. This theory is then complemented by Nawiasky's theory entitled "*Die theorie vom stufenordung der rechtsnormen*" which states that in addition to norms being multi-layered and tiered, legal norms of a country also fall into groups. Nawiasky (1948) groups the legal norms of a country into four major groups consisting:

a. Group I   : *Staatsfundamentalnorm* (State Fundamental Norms);
b. Group II : *Staatgrundgesetz* (Basic Rules/Basic Rules of the State/Constitution);
c. Group III : *Formell Gesetz* (Formal Law);
d. Group IV : *Verordnung and Autonome Satzung* (Implementing Rules and Autonomous Rules).

The norm categories are theoretically differentiated into general norms (*algemeen*) and individual norms as well as between abstract and concrete. From the general or individual and abstract or concrete nature of norms, various norms can be formed with a combination of general-abstract, general-concrete, individual-abstract, and concrete-individual nature. From the four types of combinations of the norms, the laws and regulations theo-

retically contain general-abstract or general-concrete legal norms. Norms besides that, namely individual-abstract and individual-concrete, are theoretically more appropriate for a determination (*beschikking*) rather than regulation (*regeling*) (Attamimi, 1990). In the elucidation of Article 2 paragraph 1 of Law Number 12 of 2011 concerning the Legislations Making, it is stated that "Placement of Pancasila (The Five Norms) as the source of all sources of state law is in accordance with the fourth paragraph of the preamble to the Amended Constitution of the Republic of Indonesia 1945 in the fourth paragraph". Thus, the position of Pancasila according to Nawiasky's theory is as a *Staatsfundamentalnorm* or State Fundamental Norms and are general also very abstract norms. Meanwhile, the Amended 1945 Constitution is a *Staatgrundgesetz* given its position as the state constitution and is a derivative of the five norms of Pancasila. The position of the Amended 1945 Constitution is stated in Article 7 of Law Number 12 of 2011 as the highest statutory regulation. The constitution serves as the highest source of law in the hierarchical order of laws and regulations that gives legitimacy to the establishment of state institutions including the regulation on the distribution and separation of powers (Chaidir, 2007), so that state power will be limited by the constitution and the legitimacy of that power can only be obtained from the constitution only.

The derivative legal product of the Amended 1945 Constitution is the laws (*formell gesetz*). The Constitution is still general in nature and contains abstract norms but these norms are more concrete than those enshrined in Pancasila. Thus, just as it is derived from the Pancasila, the Amended 1945 Constitution provides attribution (attribution derivatives) to laws that carry norms which, although still of a general nature, are more concrete and regeling norms. For this reason, all of the clauses of the Amended 1945 Constitution are accommodated in-laws, including regulations concerning the authority of an institution. The three laws clearly lay down the role of the BPK based on Article 23E of the Constitution. The provisions as contained in the laws reinforce and clarify the task, functions, and authorities in more detail as a derivative of the provisions of Article 23E of the Constitution. Law Number 17 of 2003 and Law Number 15 of 2004 refers to Article 23E in its preamble section. Meanwhile, Law Number 1 of 2004 only cites Article 23 and not Article 23E of the Amended 1945 Constitution in its preamble. However, these three laws together set up the role of BPK as the frontline and the only institution to carry out the task of auditing the management of and accountability in state finances.

One of the general exclamation points of Law Number 1 of 2004 mentions the very important role of BPK, requiring it to be regulated to ensure that the government's financial accountability report can be delivered on time to DPR or the Regional House of Representatives (DPRD). The above provision reads

> *"... bearing in mind that the government's financial statements must first be audited by the Supreme Audit Board (BPK) before being submitted to the DPR/DPRD, the BPK plays a very important role in accelerating the delivery of the government's financial statements to the DPR/DPRD".*

Thus, these three state financial laws clarify the roles, duties, functions, and authority of BPK in accordance with the mandate of the constitution. Asshiddiqie (2006) views BPK as the DPR's partner in carrying out oversight function (control) with respect to the performance of the government and the application of the State Budget (APBN). Accordingly, results from audits conducted by the BPK must be notified to the DPR for further action. The function of BPK financial

supervision is a posterior or post-APBN implementation oversight.

The provision also demonstrates that Indonesia is a rule of law state (*rechstaat*) and not a state based on power (*machstaat*). Article 1 paragraph (3) of the Amended 1945 Constitution clearly states that Indonesia is a state that abides by the rule of law. Rechtstaat is a concept in Continental European law that can be translated as "state of law", "state of justice" or "state of rights" which means that the exercise of government power is limited by law (Hayek, 2011). The concept of *rechstaat* has existed for a significant long time, as early as when Plato had a concept whereby good governance of a state must be based on good regulations (law) or referred to as *nomoi* (Tutik, 2010). Friedrich J. Stahl postulates that *rechstaat* possess certain characteristics including the protection of human rights, the separation or distribution of power (separate of power), the existence of government based on regulations (*wetmatigheid van bestuur*), and the existence of administrative justice which free in disputes (Hayek, 2011). The third characteristic of a *rechstaat* as mentioned above, namely the existence of government based on regulations means that the government in carrying out its duties and obligations must act based on law or legislation (Soemantri, 1992; Nusantara, 1988; Suseno, 1997), and thus it also relates to the second and fourth characteristics that there must be clarity as regards the powers of public officials according to the authority of every institution as determined by the constitution and the laws and regulations below it. In addition, the function of administrative justice as a means of supervising the authority possessed by the government is also one of the features of *rechstaat*. In the rule of law state concept as state action must be based on law or the law becomes a reference for practices or actions (including authority) exercised by the state or government in undertaking state admi-

nistration (Tamanaha, 2004). Power exercised within the state must be in line with regulations and strict legal procedures that refer to the Constitution (Zoethout, van der Tang, & Akkermans, 1993).

Based on the explanation and according to the provisions of Article 1 paragraph (3) of the Amended 1945 Constitution, regulations have a very important role in state administration. The principle of legality requires every exercise of authority by government organs to be based on written law (Berge, 1996) and that actions were taken by the government/public body through state administrators must be in accordance with the authority and legal basis set forth in the laws and regulations. An elaboration of Article 23E of the Amended 1945 Constitution pertaining to the types of audits conducted by the BPK is provided under Article 4 paragraph (1) of Law Number 15 of 2004 jo. Article 6 paragraph (3) of Law Number 15 of 2006, which determines audits of state finances carried out by BPK include financial, audits, and special purpose audits. This is in line with the meaning of the management of state finances and state financial accountability as they are defined in Article 1 subarticle 6 of Law Number 15 of 2004 which states that the management of the state finances constitute the overall action the state financial management official taken by virtue of his position and authority, which includes planning, implementation, supervision, and accountability.

Meanwhile, Article 1 number 7 states that the State Financial Accountability constitute the Government's obligation to carry out the management of state finances in an administratively correct manner, in compliance with the prevailing laws and regulations, efficiently, economically, effectively, and transparently, with due regard to fairness and propriety. Thus, based on a faithful interpretation of Law Number 15 of 2004, the mean-

ing of the authority for the management of and accountability in state finances are included in the aspects of input, process, output, and even the outcome of management and responsibility for state finances. Besides the 3E aspects (effective, economical, and efficient) also need to be given attention in the course of an audit in addition to compliance with the laws and regulations and due regard for justice. However, the performance audit has a broader scope than a special-purpose audit as the former has a comprehensive focus on audit planning, implementation, and output of a project/activity.

Performance audit generally follows one of three approaches: system, results, and problem-oriented approach. An approach is selected based on the conditions and stage of implementation in each country (Rajaguguk, Yatnaputra & Paulus, 2017). Even INTOSAI has established one of its strategic plans by conducting a performance audit on key government programs that contribute to specific aspects of the SDGs (INTOSAI, 2017). Performance audit will answer whether this process is already effective, efficient, and economic. By performing performance audits, we contribute to the safe and effective use of public funds. This is a precondition for ensuring sound public finances, as required by SDG 8 (Decent Work and Economic Growth) (Demir & Ellermann, 2019).

Performance audits can help keep track of progress and advocate for government transparency by finding gaps in public services and making realistic recommendations for change. In the case of SDGs, where government accountability and reporting differ across countries, performance audits could improve transparency and rigor (Bruna, 2019). On the one hand, their observations and recommendations will lead to the advancement of policy design and implementation. On the other hand, audits include independent and objective reviews that promote transparency and accountability in the implementation of SDGs. This increases the prestige and reputation of the SDGs at both national and global levels, leading to the strengthening of ownership and the promotion of the agenda (Montero & LeBlanc, 2019). It is different from the characteristic of the audit with special-purpose. The growth in insight and foresight practices, such as performance auditing, has not necessarily come at the cost of enforcement controls but has indicated that there are more and more different forms of controls (OECD, 2015). In paragraph 18 of BPK Regulation Number 1 of 2017 concerning State Financial Audit Standards (Standar Pemeriksaan Keuangan Negara, SPKN), it is stated that a special purpose audit can be in the form of a compliance audit or an investigation audit (BPK RI, 2017). A special-purpose audit generally compares what is found in the field to what is required by regulations. Thus basically a special purpose audit is regulation-oriented.

Law Number 1 of 2004 concerns the submission of financial statements by the government to the BPK in Article 55 and Article 56. BPK will then conduct a financial audit of these financial statements. Other regulatory provisions setting forth the authority of the BPK can be found in Law Number 1 of 2004 which governs is the authority to monitor state losses. This authority is provided under Articles 60 to 67 of such law. Law Number 1 of 2004 does not specifically detail BPK's audit authority, unlike Law Number 15 of 2004 and Law Number 15 of 2006. The latter describes the audit authority more clearly and prescribes the audit procedures or how such an audit can be implemented. Law Number 15 of 2004 details the procedure and mechanism of audits conducted by BPK. In addition, it also regulates the audit planning stage, audit implementation stage, and audit reporting stage. Similar to the content of Law Number 15 of 2004, Law Number 15

of 2006 concerns the authority of the BPK including the authority to audit. However, the main focus of the rule in Law Number 15 of 2006 is regarding the BPK as a state organ/ state agency. In that sense, Law Number 15 of 2006 governs the BPK as an institution. For example, it provides for the procedure by which BPK's chairperson, vice chairman, and members are elected.

Analysis of BPK's Authority to Conduct Foresight Audit

As explained earlier, the scope of audits that can be carried out by BPK is actually quite broad. Lawmakers realize that state finances covers a wide range of aspects and intend the use of state finance to be transparent and accountable both in terms of its management and accountability. Accountability in state finance is the result or output of a state financial management. The use of public funds becomes the object of financial accountability, through which questions regarding the application of such funds will be answered. An audit by BPK would question whether the way the government used certain public funds/ state budget has been per its planned utiliza-

tion as agreed with the DPR. The result of the audit will then be used by the DPR in performing its governance oversight or budgetary functions (Burhanuddin, 2015).

The state finance management has a wider scope than the state financial accountability. State financial management involves the allocation of a budget to a state financial manager and rules on how the budget is received, the process of managing and applying the funds, and the output and outcomes. An audit of the state finance management will assess whether the funds have been managed properly, effectively, efficiently, and economically. One example according to Mardiasmo (as cited in Minarno, 2010), is a performance audit that evaluates aspects of budget policy (performance policy) and performance budget as the implication of the implementation of the basis on which government budget is prepared using performance-based budgeting.

According to the Accountability Organization Maturity Model developed by INTOSAI as seen in Figure 1, to audit the capacity development, foresight audit level may feature
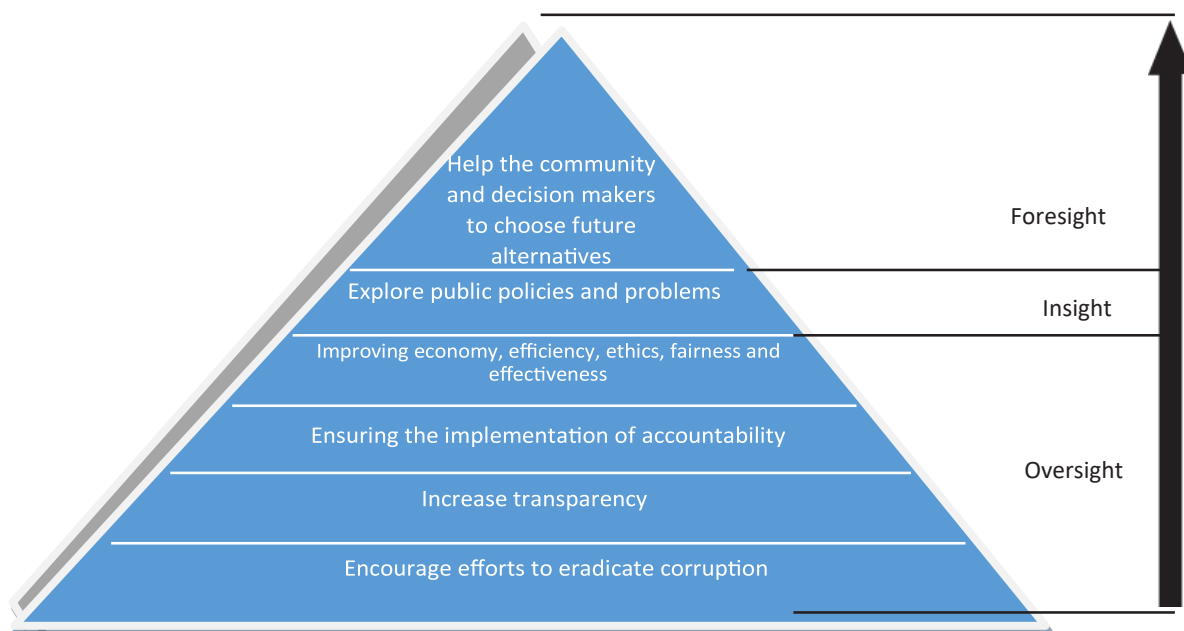
Figure 1. The Accountability Organization Maturity Model (INTOSAI)
Source: processed from GAO's Accountability Organization Maturity Model – Strategic Plan (Renstra) BPK 2016-2020

solutions/assistance to the community and decision-makers to choose future alternatives. Audit at the foresight level will have views and ways of thinking to anticipate and be prepared to face both predictable and disruptive developments affecting the position of the government and the state. Drawing upon activities such as continuous scanning and consultation; pattern recognition; analysis of "weak signals"; futures studies; and consensual views. Such audits also examine access to information such as futures reporting; horizon scanning; long-term fiscal projections; scenario planning (OECD, 2015).

As an example, SAI Brazil has conducted a foresight audit level by contributing to medium and long-term policy outcomes by forecasting policy implications and predicting risks. SAI Brazil provides two examples of SAI activities in the form of assessing the government's preparedness to address population aging and workforce management or assessing progress against international commitments to project whether goals would be reached (Bertok, 2018). SAI Brazil looks from a better understanding of the medium- and long-term challenges of improving public administration governance so that its audit work will facilitate sustained changes in public administration. This strategy is important to ensure that SAI Brazil can continue to look forward, whilst the government is more focused on short-term responses to crisis issues. To predict medium and long-term risks that can then be incorporated into its audit programming, SAI Brazil should gene-rate insight and foresight to better understand the current and future audit environment (OECD, 2017).

Article 16 paragraph 2, Law Number 15 of 2004 stipulates that one authority of BPK is to provide recommendations. The performance audit report shall contain audit findings, conclusions, and recommendations, although in practice financial statement au-

dits and special purpose audits also contain recommendations to provide solutions to address the audit findings. Recommendation as defined by Article 1 sub-article 12 of Law Number 15 of 2004 is a suggestion from the auditor based on the result of the audit addressed to the authorized person and/or body/agency to take the action and/or improvement. It can be construed that BPK can provide recommendations to the authorized person and/or body to introduce improvements in many aspects.

The most suitable kind of audit to run a foresight audit is a performance audit. By performing a performance audit an auditor can run a comprehensive in-depth audit on many aspects especially the 3E aspects: effectiveness, efficiency, and economy (cost-effectiveness). The law also establishes that auditors not merely audit compliance with regulations but perform a more in-depth audit. Conclusions from a performance audit are expected to be comprehensive and provide maximum results to ensure that the recommendations are given not only bring changes to the output but also create a significant impact. Audit at the foresight level must provide high-quality recommendations as a way to ensure that such recommendations will remain applicable and feasible for 3-5 years (Meijers, 2019). This is one way of implementing a foresight audit by BPK's currently existing authority.

However, this type of audit has not been optimally carried out and is still very result-oriented in terms of how the final budget is assessed. Thus, the orientation of the audit carried out remains on the results and process of budgeting and the government's plan for the long term. Budget planning has never been audited by BPK, despite such planning always being based on government work programs and short, medium, and long term government work plans. SAI Brazil recently conducted an audit of the broader budgetary

framework. Such audits can be useful inputs for budgetary decision-making and policy-making. From this, SAI Brazil can provide oversight, insight, and foresight audit for more strategic and sustainable budgeting (OECD, 2017).

Currently, BPK is not at that level. In other words, BPK's current work is still at the level of oversight and insight, while at the foresight level it has not produced outputs for society and decision-makers (BPK, 2015). Thus, it can be seen that according to the organizational maturity model of accountability, BPK has not yet reached the foresight level as an auditing body/agency. This condition is compounded by legal instruments that are yet to specifically regulate BPK's authority as a foresight auditor. BPK's position is still at the level of combating corruption; enhancing transparency and assuring accountability. The maturity level is also closely related to the audit's environmental factors, in this case, the interest of that SAI's stakeholders on performance audits just like goods/ services. The quality of the performance audit will improve if there is a large enough demand from BPK stakeholders. If there is great interest from representative bodies and government about how to run a program economically, efficiently, and effectively then the performance audit development process will run smoothly. But as previously disclosed, in relative terms the community, representative bodies, and the government are still focusing their efforts on preparing good financial reports. This does not mean that financial reports are not important, but if financial statements only focus on mere formal legal aspects and pay less attention to outputs and the outcomes achieved by a program/activity, this will not be deemed as sufficiently meaningful (Arfianto, 2010).

As explained in the discussion of the previous point, that the legal instruments governing the authority to audit the management of

and accountability in state finance are currently inadequate and need further improvement to provide a broader authority for the implementation of foresight audit. This can be achieved by amending Law Number 15 of 2004 or Law Number 15 of 2006, or by creating implementing regulations that can facilitate BPK's role in promoting and realizing the SDGs. As also already mentioned, the current types of BPK audits include audit financial statements, performance audits, and special purpose audits. The three types of audits are at the oversight and insight audit level. Besides, during discussions of government short-term, medium-term and long-term development plans, BPK regulations are not involved in the process due to BPK's original authority that is confined to examining the management of and accountability in state finance.

The formulation of the National Long-term Development Plan (Rencana Pembangunan Jangka Panjang Nasional, RPJPN), which applies from 2005 to 2025, is provided under Article 10-13 of Law Number 25 of 2004 concerning the National Development Planning System. It is stipulated that the Head of the National Development Planning Agency (Kementerian Perencanaan Pembangunan Nasional/Badan Perencanaan Pembangunan Nasional, Kementerian PPN/Bappenas) drafts a plan and then together with the Development Planning Forum (Musyawarah Perencanaan Pembangunan, Musrenbang) prepares the RPJP and finalize the draft before it is formalized into law. Concerning the drafting process, the BPK is not given any special authority by law to provide an opinion as a foresight auditor. BPK can only be involved as part of the government during the Musrenbang deliberation session under Article 11 paragraph (1). Similarly, under Article 14-19 on the preparation of the National Medium-Term Development Plan (RPJMN), there is no special authority given to BPK to provide an opinion or input in the role of

foresight auditor. It can therefore apparent that no clear, concrete and technical provisions on BPK's authority as a foresight auditor have been provided in the laws. Strengthening of legal basis needs to be done by BPK to affirm its function BPK as a foresight auditor as a derivative from its main authority to audit the management of and accountability in state finance per Article 23E of the Amended 1945 Constitution.

As an audit body, however, BPK has a significant role in overseeing government policies through the results of its audits. As it has been explained the formulation of laws and regulations must adhere to the principles embodied in the higher ranking laws and regulations. The basis of BPK's authority in performing audits of the management of and accountability in state finance are set forth in the provisions of Article 23E of the Amended 1945 Constitution. Thus, as discussed earlier, and bearing in mind the rule of law state theory, regulations setting forth the authority of the BPK as a foresight auditor needs to be specifically created since the audits normally performed by BPK at the present are limited to oversight and insight level of audit. In the performance of foresight audits, it is necessary to specifically determine and regulate the mechanism and type of examination carried out in such audits as the basis of BPK's authority and to optimize its role in the conduct of foresight audits especially towards the implementation of SDGs by 2030.

Management and accountability responsibilities in state finance entail a broad meaning. Management of state finance includes providing opinions as a consultant in the formulation of future policies. However, BPK's recommendations or input for future policies are currently still given within the corridors afforded to it as an examining body following the constitution. Such opinions are expected to help ensure that the use of state funds in the future will be more targeted, effective,

efficient, and cost-effective. Their input and can also contribute to identifying alternative policy options in the future for the Indonesian society and decision-makers, as well as to achieve the SDGs.

Foresight is expensive in terms of time and resources in general and this can be a key factor for emerging economies, in particular (Havas, Atilla, Schartinger & Weber, 2010). Countries with limited economic capital and research capacity will be immune to the allocation of productive resources to future-oriented activities. They will also lack the capacity to ensure an enduring organizational culture of forward-thinking (GCPSE, 2014). Bearing in mind the foregoing, BPK would have to provide future-oriented audits on state budget plans to allow the government's performance and achievements can be properly realized, especially in the context of attaining the SDGs.

BPK basically has three main functions: operative, judicial, and advisory. The operative function is carried out through audits, supervision, and investigation of control, arrangement, and management of state assets. The judicial function takes the form of authority to initiate action and claim for compensation against state treasurers and other civil servants who, due to their violation of the law (tort) or negligence, have caused financial loss or loss of state assets. BPK's advisory function entails the giving of its opinion to the government regarding the arrangement and management of state finance (Asshiddiqie, 2006). Ashiddiqie states that in carrying out its advisory function the BPK has the authority to render its opinion to the government regarding the arrangement and management of state finance. The advisory function is also an interpretation of Article 23E of the Amended 1945 Constitution. Based on these arguments, it can be said that the drafting of regulations governing BPK as a foresight auditor is still within the corridor

of state financial management and does not deviate from the original meaning given in Article 23E of the Amended 1945 Constitution, and thus an explanation of the role of a foresight auditor in the laws can be made. In essence, BPK also has the authority to conduct audits on the management and accountability of state finances and the provision of opinions, considerations, or expert statements is an embodiment of the exercise of the people's sovereignty that they carry (Saidi, 2013). If Ashiddiqie's theory regarding advisory function is linked to the authority BPK presently holds, then it can be understood that BPK has the authority to render opinions. As mentioned in Article 11 of Law Number 15 of 2006 that BPK can submit opinions to the House of Representatives at the various level (DPR, DPD, DPRD), the central government, regional governments, other state institutions, Indonesian central bank (Bank Indonesia), state/local-owned enterprises (Badan Usaha Milik Negara/ Daerah, BUMN/D), public service agencies (Badan Layanan Umum, BLU), government foundations and other bodies/agencies. This ability is necessary given the nature of BPK's responsibility/duty. BPK's opinions are also formed based on the result of their audit reports.

One of the opinions that BPK has rendered concerns the determination of the retail price of subsidized and non-subsidized fuel and the government's accountability in 2019. In its opinion, BPK reveals the problem, namely the impact of determination of retail price (harga jual eceran) on certain fuel types (jenis bbm tertentu), diesel fuel, and assignment-specific fuel types (jenis bbm khusus penugasan) and premium fuel has yet to be reported and accounted for clearly and comprehensively. BPK subsequently provides a discussion, conclusion, and opinions. The problems identified by BPK were based on the results of BPK's audit reports. However, the nature of the BPK's opinion differs from the nature of its recommendations. BPK's recommendations are binding and must be observed according to Article 20 of Law Number 15 of 2004, while BPK's opinions are not binding. This is where the BPK has room to carry out a foresight audit.

In the future, BPK should provide more opinions on various aspects and matters and thereby give the Government, DPR, DPD, DPRD, or the decision-makers several alternatives to choose from as there is no obligation to implement all of the opinion given. From BPK's opinions, decision-makers can acquire information, consideration, or reasoning. They can decide the best solution and will get the best possible result in the future. The foresight function of the BPK where it can offer its opinion involves the selection of public policies (policy setting) in program development, which also requires a stakeholder engagement strategy to make sure that BPK's opinion is understood, trusted, and optimally utilized by the government and other stakeholders (Pramono, 2016). This is the most likely way BPK can pursue such a function based on its current authority.

The urgency of BPK's role as a foresight auditor at present and in the future is very high. Currently, many auditees have a strong understanding of accounting practices, so that the entity can prepare adequate financial reports. With this trend, it is likely that in the future more auditees will succeed in obtaining unqualified opinion. With the increasing number of entities that understand the appropriate methods for preparing sound financial reports and a more orderly recording process on the part of these entities, the BPK's vision and mission to promote governance and accountability of state finances will gradually be achieved. Auditing will also fundamentally change: at some point, digitization and the use of artificial intelligence will take over the audit of financial information, so that the auditor's position will focus more on auditing

non-financial/narrative information. These changes will require a variety of skills, such as the study of the truth of complex science data/statements made in sustainability reports (Kalar, 2019). Therefore, BPK needs to be prepared to carry out its role in the future as a foresight auditor. It is hoped that in the future the BPK will not play a major role in reviewing output, but will begin to make improvements to the input process, work plans, and work program formulation.

SAI also provides a forward view by assessing the readiness of the government to deal with complex problems in the long term (OECD, 2015). Thus, the vision and mission for the future are to ensure that the management of state finances and the efforts of the state to realize social justice for all Indonesian people can run effectively, efficiently, and economically in a just, sure and profitable manner through careful audits. In the future, BPK's authority regarding foresight audits is expected to be a concern. The authority of BPK must be strengthened to further improve the quality of good governance through amendments to Law Number 15 of 2004 or Law Number 15 of 2006 or by establishing implementing regulations.

The Role of BPK as Foresight Auditor in Accelerating the Achievement of the SDG Goals

The aforementioned current role of BPK is still at the audit level as an oversight and insight entity based on the Accountability Organization Maturity Model. The role of BPK as an oversight auditor is manifested by the performance of audits aimed at ensuring that government entities have carried out good governance of state finances, under existing accounting standards, as well as complying with statutory provisions. BPK also plays a role in preventing deception, fraud, waste, misuse, and mismanagement in the management of and accountability in state finance.

Oversight function is carried out by encouraging the eradication of corruption, increasing transparency and accountability, as well as increasing the value of certainty, cost-effectiveness, efficiency, ethics, fairness, and effectiveness. Meanwhile, BPK's role as an insight auditor is undertaken by providing opinions related to programs, policies, and performance. It would also then suggests best practices as guidelines and standards that can be applied. It also suggests institutional efforts in improving cross-sectoral relations in government (the whole of government) as well as in improving the suitability of government and non-governmental partners that are better and more suitable for achieving important outcomes for the country and society. This insight function is carried out by deepening public policies and problems (Renstra BPK 2016-2020).

Along with BPK's efforts to become a foresight auditor, at the current level of insight and oversight BPK can also encourage the achievement of SDGs through environmental audits or environmental perspectives audits. Sustainable development is a concept that combines the needs of the present without reducing the ability of future generations to be able to meet their own needs which in essence lies in economic growth, social inclusion, and environmental protection (Sadiq & Mushtaq, 2015). Sustainable development is often concerned with emphasizing the long-term outlook and linking the natural, social, and economic aspects. The cross-sectoral approach to silos-breaking can be seen in some of the INTOSAI and SAI events on SDGs (Niemenmaa, 2019). Environmental audit is one of the most important contributing factors in carrying out sustainable development (Djajaputra, 2001). However, environmental auditors need to pay attention to academic qualifications and professionalism or experience in conducting environmental audits (Atherton, 1994). Auditors should have a working knowledge of the ap-

plicable regulations. This knowledge can be acquired in several ways, through courses, textbooks, and the review and application of audit engineers or protocols (Wilig, 1995).

BPK can conduct audits with a sustainable development approach to financial audits, performance audits, and special purpose audits. In conducting financial audits, BPK can carry out an examination of the financial statements and review the items and link them with existing environmental problems, such as environmental issues related to reclamation permits. The BPK can check whether the reclamation permit granted is in accordance with the provisions and considers the environment. In addition to reclamation permits, the granting of licenses, especially related to environmental permits, must basically be granted in accordance with the applicable legislation and require the publication of studies, environmental impact assessment (Analisis Mengenai Dampak Lingkungan, AMDAL), and follow the mechanism for obtaining permits. Meanwhile, special purpose audits and environmental audits can also be carried out such as those related to compliance with the management or protection of the environment. For a performance audit, based on document searches, BPK has conducted three audits that are directly related to sustainable development.

One example of carrying out environmental audits or audits with a perspective of sustainable development carried out by BPK is the implementation of SDG number 14 (Life Below Water - Protection and sustainable use of oceans, seas, and marine resources) by conducting audits related to marine conservation, illegal fishing, and destruction of coral reefs. BPK has also carried out an audit of maritime affairs in the Province of Nusa Tenggara Timur (NTT) using comprehensive methods, implementation and results. The use of criteria sources from regulations, journals, experts, etc., plus audit evidence in the

form of testimonials, documentaries, analysis of area calculations, satellite mapping, checking of waste, and geo-tagging (Simanjuntak, 2019). This audit is titled Performance Audit of the Effectiveness of Marine Development Efforts to Support Sustainable Development in Fiscal Year 2015 through Semester I of 2018 at NTT Provincial Government and Other Related Agencies (Pemeriksaan Kinerja atas Efektivitas Upaya Pembangunan Kelautan Untuk Mendukung Pembangunan Berkelanjutan TA 2015 s.d. Semester I 2018 pada Pemerintah Provinsi NTT dan Instansi Terkait Lainnya) (BPK, 2019). The other two performance audits are titled Performance Audit of the Effectiveness of Tourism Programs and Activities to Support Sustainable Development in Fiscal Year 2014 through Semester I of 2017 at the West Manggarai Regency Government in Labuan Bajo (Pemeriksaan Kinerja atas Efektivitas Program dan Kegiatan Kepariwisataan dalam Mendukung Pembangunan Berkelanjutan Tahun Anggaran 2014 s.d Semester I 2017 pada Pemerintah Kabupaten Manggarai Barat di Labuan Bajo) (BPK, 2018a) and Performance Audit of the Preparedness for Implementation of Sustainable Development Goals in Indonesia at National Development Planning Agency, Statistics Indonesia (Badan Pusat Statistik, BPS), Ministry of Finance and Other Related Agencies (Pemeriksaan Kinerja atas Kesiapan Implementasi Tujuan Pembangunan Berkelanjutan di Indonesia pada Bappenas, Badan Pusat Statistik, Kementerian Keuangan dan Instansi Terkait Lainnya) (BPK, 2018b).

In its Performance Audit of the Preparedness for Implementation of Sustainable Development Goals in Indonesia, BPK has revealed several important things that mechanisms to ensure the sustainability of SDGs programs across government cycles need to be improved. Also, policies on budget and expenditure need to be established in promoting the quality of government spending and

the disaggregation of the statistical data at the city and municipal level has not been able to be generated. From these important things, BPK recommends that the Minister of National Development Planning work together with the Minister of Home Affairs to formulate long-term and medium-term planning mechanisms that would ensure the sustainability of national strategic programs/ SDGs across government cycles. Moreover, the Minister of National Development Planning works with the Minister of Finance to draft a presidential regulation on quality budget and expenditure and the Statistics Indonesia to refine the draft Presidential Regulation on One Data to affirm the position of Statistics Indonesia as the recognized authority for a statistical referral to coordinate all statistics resources in Indonesia. Besides, BPK recommends that Statistics Indonesia strengthen the coordination among statisticians in providing reliable and high-quality data (BPK, 2018b).

These performance audits focus on examining the implementation of sustainable development from an environmental perspective. With the performance audit, BPK hopes to accelerate the achievement of sustainable development by providing recommendations for their improvement. Further BPK hopes that the relevant entities can improve their performance to get the best result now and in the future. These entities also can take advantage of BPK's recommendations as material for changes or improvements in other sectors related to the SDGs. BPK has always wanted to push these related entities through recommendations and suggestions for improvement. Aside from the above, the BPK can also provide opinions on the current implementation of the SDGs and preparation for achieving the SDGs in 2030. SDGs may be used to illustrate the financial importance of sustainable action to organizations and society at large (Arnold & Szenci, 2019). Financing efforts to achieve the SDGs would be vital to their progress in ending injustice, protecting the environment, and creating a fairer and more sustainable society. SAIs have an important role to play in the audit of SDG-related finance (Vries, 2019). With this in mind, BPK's recommendations and opinions as mentioned above are very important in its role as a foresight auditor under its current authority.

Other problems found based on the results of SDG-related audits are unclear/overlapping responsibilities, lack of coordination between main stakeholders at sub-national levels and the national, absent or deficient policies or strategies, insufficient assessment of the environmental/social effects of governmental policies and programs, lack of analysis (economic, social and environmental) of supporting decisions, lack of long-term planning to implement policies and programs, inadequate financial management of policies and programs, lack of enforcement of domestic legislation, deficient monitoring and reporting systems and lack of data for decision-making (Dutra, 2016). From these problems, SAI must prepare an appropriate SDGs audit strategy. To improve the quality of the SDGs' audit recommendation, SAI can exchange information and audit strategies. SDGs have become a common commitment and common goal of most countries in the world so that every country is obliged to do their best to achieve SDGs, including in the field of auditing.

The problems of sustainable development are strongly interlinked, requiring integrated strategies and mutually related factors. The SDGs must be enforced by each country, but each country must recognize its own actions concerning the objectives (Koopman, 2019). The efforts and commitment of a country in achieving the SDGs can be monitored from government attention and policies related to SDGs starting from planning, implementation, reporting to monitoring such as audit-

ing the implementation of the SDGs. The SAI of a country should be provided with a legal basis for conducting SDG audits. In Indonesia, the duties and roles of the BPK are following the mandate of the Amended 1945 Constitution, the state's objective in the form of people's welfare, and the government's commitment to achieving the SDGs. It is necessary to provide adequate legal support such as in the form of implementing regulations for BPK to play a role in encouraging and realizing the achievement of the SDGs.

Based on historical interpretation and constitutional interpretation, BPK has a role as an auditor of the management of and accountability in state finance. From the formation of the institution through Government Decree Number 11/OEM dated December 28, 1946, titled the Formation of the Supreme Audit Board, BPK has sole authority to audit the management of and accountability in state finances based on the *Indische Comptabiliteitswet* (ICW) - *Staatsblad* Year 1925 Number 448 and *Instructie en Verdere Bepalingen Voor de Algemene Rekenkamer* (IAR) - *Staatsblad* Year 1933 Number 320. From its inception to the present, BPK has always been positioned as one of the state's High Institutions, as in auditing the state financial management and accountability, BPK is required to be independent, free, maintain its integrity, and professionalism. BPK is expected to stand as an external government institution and not be in three branches of power, namely the executive, legislative, and judiciary because BPK examines the three branches of power from outside as the government's external auditor. In other words, BPK is not actively involved in carrying out government functions. However, based on Asshiddiqie's concept, BPK can provide input (advice) both through the results of the examination and request for opinions/views from the government on a policy. Government policies will always be audited and reviewed by BPK, especially

those relating to the achievement of the SDGs. Efforts that can be made by BPK within its current scope of authority are to provide recommendations for financial audits, performance audits, and special purpose audits as well as providing opinions to the related government institutions. Other than that, the provision of recommendations by BPK through further audits related to SDGs would encounter some obstacles.

The determination of INTOSAI to establish the audit scope depends on individual ability and choice and can cover national or subnational levels. While one of the key phases of the planning performance audit is the creation of the audit scope, INTOSAI guidance offers very little explanation of the phases. The preparation of SDGs to be audited requires the incorporation of economic growth, social and environmental sustainability, the participation of multi-sectoral entities, and collaboration between the government and private sectors. Developing audit scope is therefore a very challenging process. Data is another obstacle found in the discussion on auditing readiness of SDGs. Data challenges are varied, ranging from availability, scattered, inconsistency, access to data, data collection, processing, and tabulation to the presentation. In its guideline, INTOSAI reported issues on data availability in 11 SAIs, while issues related to data collection have been experienced by three SAIs. While metadata and SDGs databases are available online, national data is a real challenge.

Obstacles like this should therefore be one of BPK's concerns in executing audit plans that involve the SDGs. BPK needs to do more SDG audit preparation studies to carry out audits with optimal results or outputs. BPK as an audit institution is part of a country's national audit system. Audit institutions in many countries are part of a country's national audit system. Audit institutions in many countries are now providing govern-

ments with an impartial internal oversight process that encompasses the entire spectrum of government operations and services. Some countries may have special development roles within their audit institutions to resolve issues of sustainable development. A significant innovation in audit institutions is the movement towards the formation of commissioners working on behalf of future generations. For example, a 'Future Generations Commissioner' was recently created in Wales under the revolutionary 'The Well-being of Future Generations (Wales) Act'. Hungary has been a leader in this respect in its efforts to establish an Ombudsman for Future Generations (UNDG, 2017).

One of the studies on the preparation of the SDGs audit was carried out by Tribunal de Contas da Uniao (SAI Brazil) together with The Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) countries in 2017. From this studies, SAI Brazil describes the steps that need to be considered in carrying out SDGs audits, namely integration and cross-cutting, long term thinking, identification of common causes, results based oriented and integrated perspective of government/whole government (OLACEFS, 2017). SAIs may also assist the introduction of SDGs in four ways, as also defined by the INTOSAI in 2016:

a. They can track performance and audit how a country implements the 2030 agenda at all levels of government;

b. SAIs will promote good governance by ensuring overall governance coordination, coherence, and strong stakeholder participation;

c. By encouraging accountability and transparency, SAIs can also serve as role models for good governance, enhancing the performance of the country in accordance with SDG 16: Peace and Justice Institutions;

d. SAIs will enhance national readiness for SDGs by improving tracking, evaluation,

and reporting arrangements (Bonturi, 2019).

From these steps, it can be seen that audits relating to the SDGs must be well prepared. It can also be concluded that long term thinking and integrated perspective of the government are very important factors. An integrated perspective of the government means that BPK cannot achieve the SDGs alone. BPK needs the whole of government, namely that all government entities to work together to achieve these goals. This task also needs the involvement of local governments because local governments have important roles in implementing policies related to SDGs in their respective regions. For example, local governments in Indonesia have developed local action plans (Rencana Aksi Daerah, RAD). However, the implementation of this regional action plan must be continuously monitored and observed how progress has been made by the local government. Based on data in Europe, 65 percent of the 169 SDGs cannot be done without consultation or participation of regions and cities (local governments). Indeed, while most public policies and investments are shared by all levels of government, the majority of total public investment in the EU comes from subnational authorities (Abramavicius, 2019).

Supervision of the implementation of SDGs commitments at all levels of government is the task of SAI. SAIs, for example, can be instrumental in ensuring that national governments are placing these international commitments in their agendas and pursuing them with transparency and accountability (Dutra, 2016). SAI (BPK) should also acquire trust to affect the overall evolution of the implementation of SDGs at different levels of government (IDI, 2019) and all of the entities must understand the implementation of achieving the SDGs and also must commit to improving performance together with BPK through recommendations or opinion given

by BPK. Apart from cooperating with other related entities, BPK also needs to encourage other stakeholders, such as parliamentarians and civil society groups, to build synergies in attempts to keep governments accountable (IDI, 2019).

States, people, and companies must also all be active in the execution of the objectives, no party can accomplish enough on its own. As states implement policies and legislation to provide adequate framework requirements for the required reform, educational institutions are called upon to provide information and skills to learners of all ages in order to foster sustainable development (Heim, 2019). For example, Bundesrechnungshof (SAI Germany) expects to play a role in achieving the SDGs through several ways, one of which is to publish audit findings - as far as possible and available to the general public. In this way, it is hoped that the community will participate in strengthening the achievement of the SDGs in German society (Demir & Ellermann, 2019). Also, in the Organization of Latin American and Caribbean Supreme Audit Institutions (OLACEFS) regional, they want to publish their consolidated report on SDG 5 (Gender Equality) as a means of cooperating with civil society organizations to foster a mutually beneficial relationship and increase the visibility of audit results and findings for stakeholders. They assume, for example, that their SAIs cannot continually track all the results of the audit in their reports. Instead, provided that the results of our studies could be used as a method to keep governments accountable, public society may find the reports helpful in their advocacy process (Pulgar, 2019). Civil society activism has played a crucial role in pushing forward the 2030 Agenda and the SDGs. Civil society groups should play and play a major role in the implementation process as watchdogs, brokering, and developing alliances, proposing, and taking action. Monitoring and re-

porting are essential roles within the overall mosaic of monitoring and reporting activities, by various civil society organizations as well as institutions such as the departments of the European Union (EU) and the supreme audit institutions (Niestroy, 2019). This shows that the roles of various parties are needed to achieve the SDGs.

Each level of government, therefore, decides how to achieve these ambitious goals in the light of its own national history, and the evaluation of the country's success is purely voluntary. This means that the implementation of the SDGs will eventually rely on people who will have to remind their representatives of their duties and then hold them accountable. Constructive transparency – which means celebrating performance and seeking ways to speed it up – is of the utmost importance in this respect. Achieving the SDGs would require the participation of all stakeholders, at all levels, all over the world. A full appreciation of the role of regions and cities in localizing the SDGs – and their subsequent empowerment – would increase the probability of timely achievement of the SDGs. These stakeholders are undeniably an integral part of the governance and implementation of the SDGs, leaving no one – and no territory – behind (Abramavicius, 2019). The other point is long term thinking. This is foresight thinking because in conducting an SDGs audit plan, SAI is expected to be able to think about future or long-term thinking. On the one side, SAIs should ask their governments if their sustainability aspirations involve forward-looking thinking and long-term risk assessments. On the other hand, SAIs should ask themselves what is the timeframe against which their evaluations and recommendations are made (Niemenmaa, 2019).

BPK's auditor must have a foresight vision to implement foresight audits, namely providing alternative solutions and providing poli-

cies for the future. Meanwhile, the role as foresight auditor as expected, is that the BPK can play a role in providing future review by paying attention to the long-term implications/effects of government decisions/policies and identifying key trends and challenges that constitute the state and society before it emerged as a crisis. Foresight function can be done through the exercise of BPK's authority to render opinions on the selection of public policies (policy setting) in development programs (Pramono & Hendarto, 2017). In other words, BPK has a central role as a government consultant and government partner to assist in determining future policies in the whole of government concept. This function is expected to be able to help the Indonesian society and the decision-makers to choose future policy alternatives. This function can be done by giving opinion by BPK related to the selection of public policies (setting policies) in development programs (BPK, 2015). Thus, the foresight audit can be a solution to examining budget planning. Foresight work focuses on the main business processes of an enterprise. It aims to have an impact on a variety of levels, such as the policy, the collection of audit topics, or the creation of the right future capacity and expertise. Foresight is used in important decision-making areas, such as the Multi-Annual Approach, Annual Work Planning, the further improvement of the audit framework applied, and the preparation of reports (Meijers, 2019).

Government policy will determine the use of the budget each year in the long run. To accelerate the achievement of the SDGs, apart from providing recommendations based on the results of further audits of the SDGs, providing BPK opinions and adding authority from the revision of Law Number 15 of 2004 or Law Number 15 of 2006 specifically regulating the implementation of foresight audits or make implementing regulations for BPK to play a role in encouraging and realiz-

ing SDGs. Other than that, BPK must also include the focus on accelerating SDGs in its audit programs so that it is in line with the government's goal to achieve the SDGs by 2030. Some points to accelerate SDGs are focus on priority areas, integrated approach, including synergies and trade-offs, bottleneck assessment, financing and partnerships, and measurement (UNDP, 2015). All of these methods to accelerate the achievement of SDGs need to be given a focus since the 2016-2020 BPK strategic plan (Renstra BPK 2016-2020) has not paid special attention to the acceleration in achieving the SDGs. The achievement of the SDGs certainly cannot be done instantly, but it must be prepared and started early so that it can be carried out immediately and can be achieved as a whole by 2030. Development activities will be determined by the final goal to be achieved.

CONCLUSION

In the case of a rule of law state, a principle that must be adhered to is that governance and the exercise of all actions/deeds/authority by the government must be based on laws and regulations. Article 1 paragraph (3) of the Amended 1945 Constitution specifically states that Indonesia is a rule of law state. The authority possessed by BPK is one that is also held by other public or government entities that are governed by Article 23E of the Amended Constitution. However, BPK's authority to review at the foresight level still has no concrete outcome. According to the Maturity Model of the Accountability Organization, foresight audit level has one example of production in the form of offering solutions/assistance to the community and decision-makers in selecting future alternatives and will have viewpoints and ways of thinking to foresee and be prepared to meet both predictable and unpredictable changes impacting the role of the government and the

state. At the foresight level, SAI contributes to medium-and long-term policy outcomes by forecasting policy consequences and forecasting risks. However, with its current authority, BPK can only carry out a foresight audit within the confines imposed by the existing regulatory framework, namely to make recommendations and provide opinions.

The urgency of BPK's role as a foresight auditor presently and in the future is also great. BPK's role in the future must therefore be shaped towards it becoming a foresight auditor. It is also hoped that BPK's future auditing powers will become a concern in the future and strengthen its authority to take further steps in raising good governance standards. Performance audits are the most effective audit method for conducting foresight audits and are expected to provide useful input for financial decision making and policy making. A Foresight Audit authority will be very important in accelerating the achievement of the SDGs by 2030. BPK has three primary functions: operative, judicial, and advisory. In its advisory role, it draws the government's attention to issues relating to the organization and management of state finance. BPK has submitted opinions to the government. Giving opinions is distinct from giving advice. BPK recommendations are binding and must be adhered to according to Article 20 of Law 15 of 2004, while BPK opinions on the other hand are not binding. In the future, BPK should render more opinions on different aspects and issues to the Government, DPR, DPD, and DPRD to allow decision-makers to have the opportunity to select possible alternatives as there is no requirement for them to follow the opinions expressed. Decision-makers can extract knowledge, consideration, or reasoning from BPK's opinions and thereby arrive at the right solution to have the best possible outcome in the future.

There will still be barriers/problems based on the results of the SDG-related audit which has been implemented by several SAIs. The SAI must plan an appropriate audit strategy to enhance the consistency of the audit recommendations for SDGs, information, and audit techniques can be shared between SAIs. BPK also needs to concentrate on accelerating SDGs attainment in its audit programs so that they are in line with the government's goal of achieving the set targets by 2030. More studies in the incorporation of SDGs in the audit planning process need to be carried out by BPK to allow it to carry out audits with full outcomes or outputs. To realize the conditions required by the SDGs, BPK requires a whole concept of government, namely the awareness of all agencies to work together to achieve the objectives of the SDGs. This challenge also needs to include local governments, as local governments have an important role to play in enforcing SDG policies in their respective regions. All of the related entities must recognize the application of the SDGs and must also commit to enhancing performance along with BPK through recommendations or opinions from BPK.

BPK auditors must have the foresight for the execution of foresight audits, namely the provision of potential solutions alternative future policies. The foresight role can be performed by enforcing its authority to render opinions on the selection of public policies (policy setting) in development programs. It is definitely not possible to achieve the SDGs within a short period of time. Efforts must instead be planned right now or very early so that they can be carried out as soon as possible and can be entirely completed by 2030. BPK will play a role in promoting, monitoring, and looking ahead into the future based on its authority, so that policies implemented by decision-makers are correct and drive progress in achieving the SDGs. Thus, concerning the legal basis for conducting fore-

sight audit towards accelerating the achievement of the SDGs, the legal instruments as they currently exist relating to authority over the management and transparency of state finances are currently adequate, but still require improvement to establish a broader authority to apply foresight audit in achieving such goals. A solution can be created by increasing the authority to conduct foresight audit through an amendment to Law Number 15 of 2004 or Law Number 15 of 2006 and/or bypassing implementing regulations that would provide a legal basis for the BPK to play a role in promoting and implementing the SDGs.

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THE EFFECT OF HUMAN RESOURCES AND INFORMATION TECHNOLOGY ON THE REVALUATION OF GOVERNMENT FIXED ASSETS

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ABSTRACT

The central government has implemented a government fixed asset revaluation policy. The main objective of the policy is to present the fair value of fixed assets in the government's financial statements. However, the results of fixed asset revaluation are not accepted by the BPK and must be corrected and recorded in the government financial statements for the 2019 fiscal year. Competent human resources and the use of information technology are considered two factors needed to achieve the revaluation objectives. This study was conducted to determine the level of significance of these two factors by distributing questionnaires to BMN officers and assessors from 82 ministries/ agencies throughout Indonesia. The research data were processed by path analysis method using the Structural Equation Model (SEM) partial least squares (PLS) through Smart PLS 3.3.2 software used to assess measurement models and research structural models. The results of data processing concluded that the competence of human resources and information technology has a significant effect on the revaluation of government fixed assets. However, information technology needs to be improved again because the significance value is only half that of the human resources competency value.

INTRODUCTION

The central government continues to improve transparency and accountability in the management of state finances to achieve good governance. All technical aspects consisting of regulations, institutions, financial information systems, and development of the quality of human resources are regulated in the management of state finances. The central government carried out a revaluation of government fixed assets for transparency and accountability in state financial reporting, as the latest policy in public sector financial accounting.

The revaluation of government fixed assets is the valuation of fixed assets by government institutions as accounting entities to produce the fair value of assets presented in the government's financial statements. The purpose of the revaluation of government fixed assets is to present the fair value of fixed assets in the government's financial statements, build a better asset database so that it is easy to manage state property (Barang Milik Negara, BMN), identify idle assets, and increase BMN leverage as underlying assets for State Sharia Securities (Surat Berharga Syariah Negara, SBSN).

The application of impairment accounting is not regulated in Government Accounting Standards (Standar Akuntansi Pemerintahan, SAP) but only in the Financial Accounting Standards (Standar Akuntansi Keuangan, SAK). Government Regulation (Peraturan Pemerintah, PP) Number 71 of 2010 on SAP, PSAP 07 Accounting for Fixed Assets paragraph 59 states that the general revaluation of fixed assets is not permitted, because SAP does not regulate accounting for revaluation of fixed assets and the value of fixed assets presented based on acquisition costs. The revaluation of government fixed assets uses the SAK analogy approach by making PP and Minister of Finance Regulations (Peraturan Menteri Keuangan, PMK) on revaluation of state property. Deviations from the provisions are carried out by applying nationally applicable government regulations, namely, PMK Number 191 of 2015 which regulates revaluation applies only to fixed assets in Indonesia. This is done because according to SAK revaluation for several similar fixed assets is possible, and the difference between book value and revaluation value must be presented in the equity of the financial statements.

The revaluation of BMN is applied by the government starting in 2017 based on Presidential Regulation (Peraturan Presiden, Perpres) Number 75 of 2017 concerning Reappraisal of State/Regional Property and PMK Number 111/PMK.06/2017 concerning BMN Valuation which is used as a guide in conducting a revaluation of fixed assets. Revaluation of government fixed assets is carried out on land, buildings, and roads, irrigation, and networks (Jalan, Irigasi, dan Jembatan, JIJ) which are acquired until December 31, 2015 and used by ministries/agencies.

The official website of the Ministry of Finance states that the revaluation of fixed assets of BMN in 2018 nationally as of April 2018 has reached 14% and increased the value of BMN by IDR 275.25 trillion or 338.97% of the book value of BMN from the previous IDR 81.2 trillion to IDR 356. 4 trillion (DJKN, 2018). However, based on the BPK RI Audit Report on the 2017-2018 BMN Revaluation at the Ministry of Finance as Property Manager, ministries/agencies as Goods Users, and Related Agencies stated that the BPK auditors concluded that they did not accept the results of the 2017-2018 BMN revaluation by considering the results of the tests carried out in 82 ministries/agencies. Quality assurance policies and quality control as well as the input of revaluation results in applications have not been fully implemented. The implementation of

revaluation by officers is not in accordance with the applicable provisions which is one of the reasons for the revaluation results not being accepted by the BPK. Besides, there are other causes, including a limited budget, time, and resources compared to registration serial number (Nomor Urut Pendaftaran, NUP) objects that are revalued. Based on these findings, BPK RI recommended the minister/head of agencies as Goods Users to improve the inventory data and follow up on the results of the 2019 BMN revaluation (BPK RI, 2018). The government has reappraised the objects in the audit findings as a form of follow-up. In addition, testing and refinement of the revaluation results besides the BPK findings were also carried out as a result of the 2019 property manager audit findings. So that the government financial statements for the fiscal year of 2019 present the revaluation value of fixed assets.

Human Resources (HR) has an important role in the accountability of the management of state finances. Likewise, BMN management and administration, in the presentation of the latest financial statements, must have carried out a revaluation of fixed assets following the applicable regulations. Competent human resources are needed so that the management and administration of BMN meet the expectations and that the results are accountable, relevant, and comparable. The implementation of government fixed asset revaluation is a new thing for BMN management and requires good human resources who have an understanding of the applicable regulations and implementation in the field.

The revaluation of government fixed assets is carried out by utilizing information technology in the form of an accounting information system applications consisting of the State Property Accounting Management Information System (Sistem Informasi Manajemen Akuntansi Barang Milik Negara,

SIMAK BMN) and the State Asset Management Information System (Sistem Informasi Manajemen Aset Negara, SIMAN). SIMAK BMN and SIMAN are operated by ministries/agencies as Goods Users and the Appraisal Information System (Sistem Informasi Penilaian, SIP) is operated by the Ministry of Finance as Goods Managers. All of these applications are products of the Ministry of Finance which are used to support the Ministry of Finance's duties in carrying out reliable and quality government affairs in the field of state finance. PMK 97/PMK.01/2017 concerning Communication Information Technology Governance in the Ministry of Finance stated that the information system was developed and managed to support national e-government and to create an integrated financial management information system.

Several previous researchers have studied the revaluation of fixed assets. Nailufaroh (2019) proves that the company's financial performance increases with the implementation of fixed asset revaluation, while Iatridis and Kilirgiotis (2012) prove that company size is positively related to the revaluation of fixed assets. Surgawi and Solikhah (2018) prove non-financial factors determine the decision of the revaluation of fixed assets where managerial ownership and government ownership have been proven to positively influence the decision of the revaluation of fixed assets. Palea (2014) states that the fair value of assets reflects current market conditions and provides timely information that will increase transparency. Palea (2014) believes that historical cost and fair value should not be considered as competitors, because they have different purposes. Historical cost provides information to investors about the cost of investment, whereas fair value provides a measure of what management expects in return. Gardini (2014) found different results which proved that the asset revaluation carried out by local

governments according to their fair value failed because they paid less attention to Fair Value Accounting (FVA) and instead they chose a system based on historical cost accounting. This failure was not due to a lack of trust by the local government in FVA as the basis for measuring assets, but because of the difficulty in estimating fair value and the high cost of measurement. Local governments agree that determining fair value is very important to increase transparency and objectivity. While Baek and Lee (2016) found that asset revaluation that results in fair value in financial statements could provide more relevant information and reduce information asymmetry.

Choi, Pae, Park, and Song (2013) state that the implementation of fixed asset revaluation is more opportunistic than reflects economic reality. The results of his study show that most companies that choose the revaluation model in 2008 would switch back to the cost model when making a formal transition to International Financial Reporting Standards (IFRS) in 2011. While Skoda (2015) shows that the economic paradigm affects measurement in financial reporting and it can change one day according to the circumstances. However, this condition cannot be a reason for eliminating fair value accounting treatment. Wali (2015) proves that revaluation is a tool to increase creditors' perceptions of the company's financial health, thereby increasing the company's loan capacity.

Zakaria, Edwards, Holt, and Ramachandran (2014) prove that the asset revaluation guideline framework is used by those who prepare and use financial reports. This framework supports the task of asset revaluation decisions and the potential consequences for stakeholders. Research related to the recognition of land assets under roads (LUR) as assets in local government financial reports was conducted by Elhawary

(2018). The results of his research prove that the land assets under the road are rejected and the LUR calculation requirements must be canceled immediately.

Research related to the influence of HR competencies on accounting business processes has been conducted by previous researchers. Among them are Puspitarini, Firmansyah, and Handayani (2017) which prove that HR competencies have a positive effect on the application of accrual-based government accounting on BMN management. The higher the human resource competencies, the more successful the implementation of accrual-based government accounting on BMN management. Research by Elfauzi (2019) shows that HR competencies have a significant positive effect on the quality of financial reports. This means that with skilled human resources, the quality of the resulting financial reports will be higher.

Previous research on information technology with an accounting information system approach, among others, was carried out by Yuliani (2010). The results state that the use of regional financial accounting information systems affects the quality of financial reports. In line with the results of this study, Gusherinsya and Samukri (2017) prove that human resource competence and the application of accounting information systems affect the quality of financial reports. However, it is different from the results of research conducted by Puspitarini et al. (2017) that prove information technology does not affect the application of accrual-based government accounting in BMN management. Good information technology such as adequate computers, good internet connection, computerized BMN, the existence of software that supports and maintains computers does not guarantee the successful application of accrual-based government accounting.

Given the phenomena and empirical gaps

that have been described, the author is interested in analyzing the influence of HR competence and information technology on the revaluation of government fixed assets in 2019. Research related to fixed asset revaluation was previously carried out in the private sector and new in the public sector. The purpose of this study was to determine the effect of human resource competence and information technology on the implementation of revaluation of government-owned fixed assets. Thus, a reliable fair value of assets can be generated and can be presented in the government financial report fairly.

Agency Theory

The main theory that can support this study is agency theory. In its development, agency theory is divided into two streams, namely the main research agency theory and positivist agency theory. Positivist Agency Theory (PAT) is used to overcome deficiencies in the main agency research, especially those related to complex relationships that result in conflicts of interest (Fayezi, O'Loughlin, & Zutshi, 2012). According to Jati (2019), the main problem in agency relations is the occurrence of conflicts of interest caused by each party trying to maximize its own benefits. In state financial accountability, the role of the government as the agent is to carry out programs for the development and welfare of the people, while the main role is the community represented by the Houses of Representatives (Dewan Perwakilan Rakyat, DPR) or the Regional Houses of Representatives (DPRD). Accountability is needed to avoid conflicts of interest.

Law Number 23 of 2014 states that the responsibility for good governance, particularly related to the management of state finances, is conveyed through government financial reports, both central and regional governments. The central and local governments as recipients of the mandate are obliged to pre-

pare and present financial reports. This is the accountability and transparency of the government management and administration that has been given to the government.

Revaluation of Fixed Assets

According to Perpres Number 75 of 2017, Article 5 states that BMN Revaluation is carried out on land, buildings, roads, irrigation, and networks at ministries/agencies. The results of the follow-up revaluation are in the form of corrections to the value of fixed assets in the ministry/agency's financial statements. Fixed asset revaluation is a revaluation of the company's fixed assets caused by an increase in the value of these fixed assets on the market or due to the low value of fixed assets in the company's financial statements due to devaluation or other reasons (Nailufaroh, 2019). Fixed asset revaluation is carried out based on the fair value of fixed assets or market value at the time of appraisal using the valuation method commonly used in Indonesia and carried out by an appraiser recognized by the government.

Human Resource Competencies

Research conducted by Puspitarini et al. (2017) and Elfauzi (2019) explain that HR competencies have an important role in the application of accrual-based accounting and the quality of financial statements. The success of implementing accrual-based government accounting and the quality of accountable financial reports is influenced by the competence of human resources. Likewise, with BMN managements and administrators, competent human resources are needed to carry out fixed asset revaluation in accordance with established regulations and policies.

The implementation of government fixed asset revaluation is a new thing in BMN management which has only been applied in

private sector accounting. Therefore, it is necessary to have good HR competencies through understanding the regulations and their application. This is necessary to avoid deviations from the revaluation value of fixed assets presented in the financial statements. The financial statements are prepared to provide relevant information regarding the financial position and all transactions carried out by the reporting entity during one reporting period. Government financial reports are expected to provide useful information for users in assessing accountability and making decisions on economic, social, and political decisions (Efendi, Dewi, & Gamayuni, 2018).

Based on these matters, human resource competence is indispensable for the implementation of organizational duties and functions. The competence of human resources will affect whether a government has carried out its duties and functions in a professional, effective, and efficient manner. The better the competence of human resources, it is hoped that the implementation of their duties and functions will be even better. In this study, the implementation of fixed asset revaluation supported by competent human resources will be carried out well, and the quality of the asset revaluation results can be used in financial reports. This is summarized in the hypothesis:

H1: Human resource competence affects the revaluation of government fixed assets

Information Technology

According to PMK Number 97 of 2017, information systems are a series of hardware, network devices, software, human resources, and procedures and/or rules that are arranged in an integrated manner to process data into useful information to achieve a goal. According to Romney and Steinbart (2015), an accounting information system (AIS) is a process of collecting, processing, storing, and reporting data and information. It consists of six components including people, procedures and instructions, data, software, information technology infrastructure, and security measures for storing data. Computer software is a tool used to generate information. A well-designed AIS can add value to an organization by increasing quality and reducing product or service costs, sharing knowledge, increasing efficiency, improving internal control structures, and improving decision making.

Research conducted by Yuliani (2010) also Gusherinsya and Samukri, (2017) prove that the use of more advanced information technology in an organization can help carry out tasks properly, in this case, the presentation of quality financial reports. Information technology can assist organizations in the reliability of the presentation of information, including the presentation of the fair value of revalued fixed assets. Based on this, the second hypothesis in this study is:

H2: Information technology affects the revaluation of government fixed assets.

RESEARCH METHOD

This study uses primary data namely, data sourced obtained from the field. The data collection method used was a questionnaire. The resulting data is primary data in the form of respondents' perceptions of the variables used. The questionnaire generally consists of two parts, where the first part contains questions about the respondent's data. The second part contains questions related to the research variables. The questionnaire given by the researcher was designed using a 5-point Likert scale.

The sampling method in this study using the purposive sampling method. The purposive sampling method is a sampling method that is limited to certain types of people who can

provide the desired information because of only those who have certain criteria or are following several criteria set by the researcher (Sekaran, 2010). The criteria chosen by the author are:

1. BMN officials in government ministries/ agencies;
2. BMN assessors at the Ministry of Finance, both at the Office of State Assets and Auction Services (Kantor Pelayanan Kekayaan Negara dan Lelang, KPKNL) and the Directorate General of State Assets (Direktorat Jenderal Kekayaan Negara, DJKN)

Questionnaires in the form of google form were distributed online using the WhatsApp group of BMN officers to 100 respondents from various government agencies representing 82 ministries/agencies throughout Indonesia. The online data collection process was carried out for approximately two weeks, starting from 2 to 16 August 2020. The dependent variable of this study is the revaluation of government fixed assets. The independent variables used are HR and information technology competencies. The variable definitions and measurement indicators for each variable described in Appendix 1.

The analysis method used in this study is the path analysis method using the Structural Equation Model (SEM) partial least squares (PLS) with SmartPLS 3.3.2 software which is used to assess the measurement model and the research structural model. The PLS technique is considered appropriate as an analytical tool to test the variables under study so it was chosen because this tool is often used for complex causal-predictive analysis and is a suitable technique for use in predictive applications and theory development such as in this study. PLS is also a variance-based SEM which can simultaneously test the outer model as well as test the inner model. Outer Model Test consists of an indicator model test, validity test, and reliability test

using the SmartPLS 3.3.2 software. Indicator reliability shows how many types of indicators can be explained by latent variables. An indicator is said to be valid if the loading factor value is > 0.6 and when the indicator value is <0.6 then the indicator must be eliminated (removed) from the measurement model. The validity test is used to find out how well the accuracy of an instrument is to measure a concept that should be measured. The reliability test evaluates the stability of measures, internal consistency of measurement instruments, and interrater reliability of instrument scores. The reliability test results can be seen from the results of the Cronbach's Alpha and Composite Reliability analysis. A latent variable has high reliability if the composite reliability value is above 0.7 and or Cronbach's Alpha is above 0.6 (Azwar, Amriani, & Subekan, 2016).

Structural model testing is performed to see the relationship between constructs or latent variables seen from the coefficient of determination (R^2). The stability of this estimate was evaluated using a statistical t-test obtained through the bootstrapping method. The value of R-square (R^2) is the coefficient of determination in the endogenous construct. The coefficient of determination is defined as how much the ability of all exogenous variables to explain the variance of their endogenous variables. The higher the R^2 value, the better the prediction model of the proposed model, because the value on R^2 can be used to measure the effect of the independent variable on the dependent variable. Chin in Azwar et al. (2016) states that the R^2 value is 0.67 (strong), 0.33 (moderate), and 0.19 (weak).

Hypothesis testing using PLS through the bootstrapping method. Testing the hypothesis can be seen from the t-statistic value and the probability value. Where the statistical t-test aims to determine the effect and significance of each independent variable on the

dependent variable. Criteria for the results of hypothesis testing are as follows:

1. If the t-statistic > 1.96 and p-value < 0.05, then it is real, in other words, accept the hypothesis;
2. If the t-statistic < 1.96 and p-value > 0.05, then it is not real, in other words, reject the hypothesis.

RESULT AND DISCUSSION

The questionnaires that have been distributed online to all respondents have been collected and are valid as many as 77 questionnaires. Respondents as BMN management officers have different educational backgrounds, genders, and experiences. Information about respondents is described in Table 1. The questionnaire is then processed using SmartPLS version 3.3.2 software. An independent sample t-test with a significance level of 5 percent was used to answer research questions.

Based on the experience of respondents as BMN officers, in general, they have more

Table 1. Respondent Demographics

	Category	Total (people)	Percentage (%)
Gender	Male	56	72,73
	Female	21	27,27
Experience	Less than 1 year	6	7,79
	1 to 5 years	41	53,25
	6 to 6 years	18	23,38
	More than 10 years	12	15,5
Educational level	SMA/DII	26	33,77
	DV/S1	39	50,56
	S2	12	15,58

than one year of experience and some even have more than 10 years of experience. The number of respondents with less than one year of experience was relatively small

(7.79%). Therefore, the respondents relatively have sufficient experience to be able to convey their perceptions related to BMN management problems, including fixed asset revaluation.

Measurement Model Testing

Testing the indicator model is done by looking at the reliability of the indicators to test the level of validity. The study has 25 indicators and the results of the indicator model test can be seen in appendix 1. All indicators are declared to have a loading factor value > 0.6 so that all indicators meet the convergent validity requirements.

Table 2 shows the results of data processing to test discriminant validity and composite reliability indicators using the AVE value, composite reliability, and the Cronbach's Alpha. Based on Table 2, all variables have good reliability and meet the requirements because after testing the Cronbach's Alpha value is greater than 0.70 and the composite reliability value is greater than 0.60 as the reference value. Also, the AVE value of all variables has a value greater than 0.50 so that all of them are declared valid.

The measurement model testing stage has been carried out and all the research variables are valid and reliable, then the next testing stage is the structural model test. Structural model testing is carried out through SmartPLS using the Bootstrapping method so that the path coefficient and t-statistical values are obtained.

Structural Model Testing

The results of data processing through Bootstrapping show that the dependent variable has an R^2 value of 0.42932 (strong) or above 0.33 and close to 0.67. This implies a strong determination of all independent variables in explaining the variance of the dependent

Table 2. Discriminant Validity and Composite Reliability

Variabel	Cronbach's Alpha	Composite Reliability	AVE	Results
Human Resources Competency	0.89333	0,90577	0,65400	Reliable and Valid
Information Technology	0.88525	0.89861	0.63528	Reliable and Valid
Revaluation of Fixed Assets	0.94222	0.94454	0.59097	Reliable and Valid

variable. Next is to see the path coefficient value and t-statistic value using the bootstrapping method on SmatPLS as shown in Table 3.

The t-table value is calculated with the provisions of the alpha (α) value of 0.05 and the degree of freedom (DF) of N-2. The amount of data used in this study was 77, so the DF was 75. The t-table value for DF 75 and (α) 0.05 was 1.99210. Based on the table above, it can be seen that all t-statistical values are greater than the t-table of 1.99210. Thus it can be stated that all independent variables have a significant effect on the dependent variable.

Hypothesis Test

Table 3. Path Coefficient and t-Statistical Value

Relationship	Coefficient	t-statistik	P Value
HR →RVA	0.44064	3.46051	0.00059
IT →RVA	0.26897	2.36540	0.01839

The research hypothesis testing is illustrated in Figure 1. The effect of human resource competence on the revaluation of government fixed assets has a coefficient value of 0.441 (t-statistical value = 3.46051), so this relationship model has a significant effect because the t-statistic value is greater than the t-table and the p-value is 0.00059 or less than 0.05. Empirically H1 is proven and accepted. This proves that the competence of human resources in implementing the revaluation of government fixed assets is needed. By having competent and professional quality human

resources, the results of fixed asset revaluation will be better. Also, the results of the revaluation implementation result in a fair value of assets that can be accepted by BPK so that it can be stated in government financial reports. These results support the research conducted by Puspitarini et al. (2017) and Elfauzi (2019) that HR competence has an important role in the application of accrual-based accounting and the quality of financial statements because, in the end, the fairness of the value of the revalued assets determines the quality of financial reports.

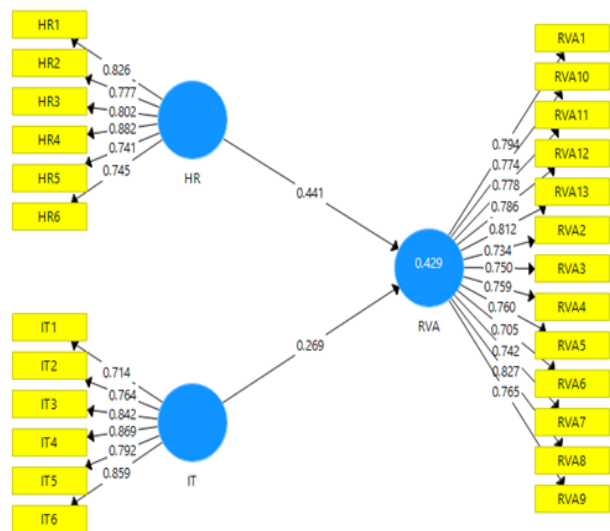The effect of information technology on the

Figure 1. The Result of R^2 test, coefficient, and loading factor indicator value

revaluation of government fixed assets has a coefficient value of 0.269 (t-statistical value = 2.36540), so this relationship model has a significant effect because the t-statistic value is greater than the t-table and the p-value is 0.01839 or less than 0.05. H2 is empirically

proven and accepted. This proves that the application of information technology supports the implementation of revaluation of government fixed assets. Revaluation of government fixed assets that aims to generate fair value assets can be quickly and easily accessed by utilizing information technology. The revaluation implementation document archive is stored digitally so that it is easy if one day it is needed again. These results support the research conducted by Yuliani (2010) also Gusherinsya and Samukri (2017) which state that the use of more advanced information technology in an organization may be more able to implement fixed asset revaluation so that the objectives will be easily achieved.

CONCLUSION

The results of data analysis show that the competence of human resources and information technology has a significant effect on the revaluation of government fixed assets. The results of this study are in accordance with the hypothesis and it means that H1 and H2 are accepted. For the information technology variable, although its significance and coefficient value is greater than 1.96, the significance value is only half of the HR competency value.

According to the results, the author suggested that HR competence can be developed by conducting comparative studies related to the management of government fixed assets between work units and other work units, even between ministries/government agencies. Besides, rewards and punishments can be applied to motivate BMN operators so that they can improve their performance, compete fairly among operators, and develop ideas and ideas from BMN operators. It is necessary to carry out regular training to update knowledge and regulations related to government fixed assets, especially in terms of accrual basis and asset revaluation.

The application of IT in the implementation of revaluation of government fixed assets needs to be improved again in services, both hardware, software, and internet connection so that obstacles in the field can be minimized and objectives can be maximally achieved. Services in the IT field can be carried out by holding technical guidance, workshops, or Focus Group Discussions (FGD) on the use of information technology in the form of applications related to fixed asset revaluation. Improving the quality or replacing hardware with new ones also needs to be done. While internet connection bandwidth can be added so that the network connection is smooth in the process of asset revaluation activities.

For further research, the author suggests focusing more on the revaluation of government fixed assets, especially how it affects financial reports after knowing the quality of the last fixed asset revaluation carried out in 2019 by government ministries/agencies.

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APPENDICES

Appendix 1. Definition and Indicators of variables

Variable	Description	Dimension	Indicator
Revaluation of Fixed Assets (Y)	In order to present accountable fixed assets of State Property (BMN) in accordance with their fair value and in order to realize successful BMN management, a revaluation of fixed assets needs to be carried out	Data and document preparation	1. Detailed listing of assets and acquisition documents (RVA1) 2. Appointment of data collection officers (RVA2) 3. Assets ownership documents (RVA3) 4. Asset Documentation (RVA4) 5. Goods Identity Card/KIB (RVA5) 6. Listing of Assets in the Application (RVA6)

Variable	Description	Dimension	Indicator
		Implementation of BMN Inventory	1. Match the contents of the Revaluation Form with the physical assets (RVA7)
			2. The form is filled in completely and has been validated (RVA8)
			3. Physical asset and asset inventory are carried out with the Assessment Team (RVA9)
		Follow up on BMN inventory and revaluation results; and	1. Reconciliation of asset data with KPKNL (RVA10)
			2. Correction of asset values in the application and in accordance SAP (RVA11)
		Monitoring and evaluation of implementation	1. Creating/printing Event News in the application (RVA12)
			2. Reports and minutes of revaluation results have been signed (RVA13)
HR Competency (X1)	Human resource competence is needed to determine whether a government has carried out its tasks and functions professionally, effectively, and efficiently	Knowledge	The legal basis and attend socialization related to for revaluation of fixed assets (HR1)
		Skill	1. Able to operate information technology (HR2)
			2. Filing supporting documents (HR3)
		Attitude	1. Able to work in teams (HR4)
			2. Communicate well with stakeholder/KPKNL (HR5)
			3. Communicate well with superiors (HR6)
Information Technology (X2)	A series of hardware, network devices, software, human resources, and procedures and/or rules that are organized in an integrated manner to process data into useful information to achieve a goal.	Utilization	Mastery of applications by BMN officers (IT1)
		Uses	1. Support the successful implementation of fixed asset revaluation (IT2)
			2. Timeliness of the results of revaluation of fixed assets (IT3)
			3. Easy access to data quickly and accurately (IT4)
		Security and Maintenance	1. Update the application (IT5)
			2. Transaction Data Backup (IT6)

Appendix 2. Loading factor indicator value

Indicator	Code	Revaluation of Fixed Assets	Human Resources Competency	Information Technology	The Result
Detailed listing of assets and acquisition documents	RVA1	0.79381			Valid
Appointment of data collection officers	RVA2	0.73383			Valid
Asset ownership documents	RVA3	0.75000			Valid
Asset Documentation	RVA4	0.75919			Valid
Goods Identity Card (Kartu Identitas Barang, KIB)	RVA5	0.76039			Valid
Listing of Asset in the Application	RVA6	0.70479			Valid
Match the contents of the Revaluation Form with the physical assets	RVA7	0.74215			Valid
The form is filled in completely and has been validated	RVA8	0.82690			Valid
Physical asset and asset inventory are carried out with the Assessment Team	RVA9	0.76452			Valid
Reconciliation of asset data with KPKNL	RVA10	0.77418			Valid
Correction of asset values in the application and in accordance SAP	RVA11	0.77820			Valid
Creating/printing Event News in the application	RVA12	0.78579			Valid
Reports and minutes of revaluation results have been signed	RVA13	0.81157			Valid
The legal basis and attend socialization related to for revaluation of fixed assets	HR1		0.82628		Valid
Able to operate information technology	HR2		0.77666		Valid
Filing supporting documents	HR3		0.80207		Valid
Able to work in teams	HR4		0.88227		Valid
Communicate well with stakeholder/KPKNL	HR5		0.74107		Valid
Communicate well with superiors	HR6		0.74489		Valid
Mastery of applications by BMN officers	IT1			0.71399	Valid
Support the successful implementation of fixed asset revaluation	IT2			0.76425	Valid
Timeliness of the results of revaluation of fixed assets	IT3			0.84235	Valid
Easy access to data quickly and accurately	IT4			0.86878	Valid
Update the application	IT5			0.79189	Valid
Transaction Data Backup	IT6			0.85948	Valid
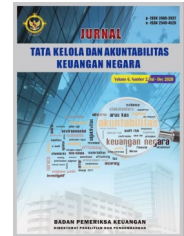
POLICY ANALYSIS AND IMPLEMENTATION OF EMPLOYEE MUTATION AND PLACEMENT ON EMPLOYEE'S PERFORMANCE AND CAREER DEVELOPMENT

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ABSTRACT

This study aims to assess the effectiveness of employee mutations and placements applied to several institutions in Indonesia. This study uses the meta-synthesis method by conducting a review of 31 previous studies listed in the research media. The results of the study found that government agencies in Indonesia had implemented mutation policies based on applicable regulations ranging from the law to local regulations on several factors, the value of improving performance and productivity, career development and promotion, to filling vacant positions. However, several studies have found that there is still corruption, collusion and nepotism, political affiliation, family connections, and close relations with superiors which causes a mismatch between the placement of employees and their competencies. Transfer of employees based on a merit system is indicated to improve performance including public services in providing information to create public sector accountability. Career development and promotion can also expand knowledge and experience to produce creative and innovative employees to support the achievement of organizational goals.

KEYWORDS:
Mutation policy; employee placement; performance; career development

INTRODUCTION

The current development demand that organizations become more effective and efficient to achieve their goals. Likewise, organizations are also required to be able to compete to develop and achieve success. Human Resources (HR) are the most important element which becomes an asset of the organization, by utilizing resources owned by the individuals including their competence, knowledge, and skills. Without human intervention, it will be difficult to achieve organizational goals. Employee performance is a key factor in measuring the work result achieved by employees and is a supporting factor in the attainment of organizational goals that have been set optimally in the long run (Yastini & Agustana, 2018). Human resource management, namely using human resources to the best of their ability within the organization through various functions of human resources planning, selection, and recruitment, career planning, and development, human resource development, provision of welfare and compensation, occupational health and safety, rotation and mutation as well as industrial relations (Marwansyah, 2010). Using Human Resources effectively can have an impact on the organization, and therefore requires employees that correspond with the needs of the organization through coaching, training, and development to produce competent employees in their respective fields.

Numerous policies and efforts were made to achieve competent human resources, such as rotation, promotion, and transfer of employees. The policy aims to enhance work motivation, provide refresher activities to improve performance in new work units in addition to organizational needs and prevent any fraud that may occur if employees work at the same location and sitting in the same position for too long. The mutation is one of the systems applied in human resource ma-

nagement. The mutation policy is intended to place employees in suitable jobs, to provide employees that are undergoing mutation with a new atmosphere so that they can produce high job satisfaction and then be able to deliver excellent performance. According to Nasution and Sinaga (2014), the mutation is the activity of transferring employees from a division or unit that has excessive manpower to a division or unit that requires less energy. A mutation is one of the ways of employee development because, with mutation, it can increase the efficiency and effectiveness of employees in the company or organization.

The implementation of mutation policy will certainly cause many changes, ranging from changes of work location, environment, culture, direct leaders/management, the team that works together in it, duties and responsibilities, and various other differences. This will affect organizational performance as well as the career development of employees. Furthermore, it will also have a negative effect when employees do not have the ability to adapt to a new environment and have an impact on employee mentality. Minister of Finance Sri Mulyani Indrawati emphasizes that mutations and promotions are a refresher for the organization as well as a form of trust that is given by the organization towards an individual's competence (Redaksi DDTCNews, 2019). The mutation policy is an effort to meet the needs of the workforce, but in practice, it is often misinterpreted by some employees as a form of punishment or a policy based on good relations with their superiors. The application of the work mutation policy must be carried out objectively considering that the mutation application system aims to provide opportunities for employees to maximize their potential.

Human Resource Management

According to Sutrisno (2011), Human Re-

source Management is the utilization, development, assessment, remuneration, and management of individual members of an organization or group of workers. The management of human resources in government agencies must comply with the provisions set forth by both the national and sub-national governments. The scope of human resource management can be identified from the functions of procurement, development, compensation, integration, maintenance, and release/termination of human resources. From this scope, human resource management in the government sector elaborates several functions, including job analysis, labor recruitment, labor selection, employment placement, induction and orientation, compensation, education and training, performance appraisal, mutation, promotion, motivation, providing moral guidance and discipline, labor supervision and termination of employment.

Theory of Effectiveness

Hakim (2015) asserts that organizational effectiveness includes an understanding of the ability to carry out tasks, organizational functions, organizational productivity, and the absence of pressure between organizational members. Criteria or indicators of effectiveness include target achievement, ability to adapt to change, job satisfaction, responsibility, and ability to solve problems that occur. The achievement of targets is defined as to what extent targets that can be set by the organization could be reached accordingly. Organizational members' job satisfaction will provide comfort and motivation to improve employee performance and the organization as a whole. Effectiveness is the success of the organization to achieve organizational goals and objectives.

Mutation and Placement of Employees

Mutation of employees can be understood as

activities carried out by the leadership of an organization or company to shift employees from one task to another which are considered parallel. Mutations or employee transfers can occur due to the company's or employees' intention (Putri, Hendriani, & Ibrahim, 2015). The principle of employee mutation is to move employees to positions that are suitable for them so that their productivity and spirit at work increase. This is also a follow-up to work motivation to provide employees with the environment, nature, overview, and work style so they can work more effectively and efficiently in the new workplace. Employee placement is a process of assigning or filling positions and it is the policy of the Human Resource Management to determine employee positions to complete the tasks and authorities entrusted to them (Fitria, 2017). Several indicators that are considered in the placement of employees in an organization include education, experience, knowledge, and job skills.

Employee Performance and Career Development

Employee performance is the quantity or quality of results achieved by employees in carrying out their duties and responsibilities mandated to them (Mangkunegara, 2005). Several factors that can affect employee performance are abilities and skills, incentives provided, a supportive work environment, spirit at work, and motivation. Meanwhile, civil servants' performance is work achieved by every civil servant in an organization based on work behavior and employee performance targets.

Employee career development is a planning process that leads to career management. Career development is an option that reflects the goals of the competencies of the employees which then become better opportunities (Septiani, 2011). There are two processes in a person's career development, starting from

the design and implementation of a career development program as well as planning and achieving career development goals. Moreover, there are different perspectives on career development. From an individual perspective, career planning focuses more on one's career. In contrast to an organizational perspective, career planning focuses on a career path that provides logical improvements from other entities working in the organization.

Government Employees

Article 1 of Law Number 8 of 1974 concerning the Fundamentals of Civil Service states that those who are referred to as civil servants are individuals who have met the requirements stipulated in the prevailing laws and regulations, appointed by an authorized official, and assigned to a state position or other state duties that have been determined according to the prevailing laws and regulations. A government agency certainly has several functions in carrying out its duties and authorities to achieve its goals. Human resources with supreme competencies who are prepared to carry out their functions to achieve these goals are highly in demand. Furthermore, civil servants will ensure the alignment of government apparatus development which encompasses budgeting, planning standards, accreditation, monitoring, and assessment. The position of civil servants constitutes one of the determinants of how seamlessly the government and development are implemented to achieve the national goals.

Many studies have been conducted to identify the effect of employee transfer on organizational performance and employee career development. Those studies were conducted in both private and government sector organizations. In this study, the authors will analyze those articles with the aim of producing information concerning the effectiveness of employee mutation policies on organizational performance and employee career development, specifically for civil servants.

RESEARCH METHOD

A policy on employee mutation set by the head of the government organization requires a reference as material for adjustment and refinement to obtain maximum results in its implementation, both in terms of organization and employees. A literature review of existing studies needs to be presented to policymakers in adjusting the mutation policy that will be enforced. There are two types of techniques in the literature review, namely quantitative techniques (meta-analysis) and qualitative techniques (meta-synthesis). Qualitative meta-synthesis as a theory, narrative, generalization, or interpretive translation is drawn from the integration or comparison of findings from qualitative studies. As seen from the process, meta-synthesis starts from determining the similarity of topics, establishing inclusion criteria, determining the comparison methodology, then determining the explanatory technique for the synthesis. Hence, qualitative meta-synthesis is a response to the relevance and usefulness of qualitative research as well
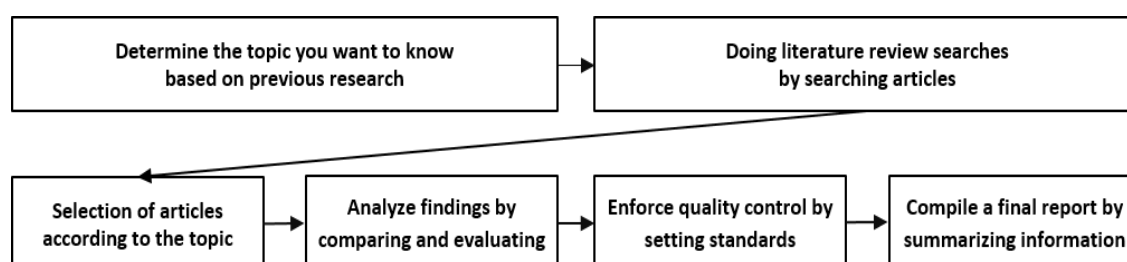

Figure 1. Framework

as a comprehensive understanding of interpretation (Sandelowski, Docherty, & Emden, 1997). This study refers to a literature review using meta-synthesis techniques in various studies related to mutation policy. Several steps must be undertaken in meta-synthesis research, as shown in Figure 1.

This study discusses the employee mutation policy and implementation of policies exercised in several government agencies in Indonesia as well as the application of employee placement to see its relationship with employee performance and career development using five literature results as a discussion ranging from mutation policies, implementation of employee mutation, placement,

performance, and career development. Such analysis was conducted on 31 articles that were published in several journals belonging to higher education institutions in Indonesia in the last 10 years (2011-2020).

RESULT AND DISCUSSION

This study maps 31 articles that are relevant to the research topic, namely employee mutation policies and policy implementation in local governments over the last 10 years. The article classification based on the level of local government studied is presented in Table 1.

Table 1. Synthesis Based on Government Agencies

Local Government Level	Local Government/Agencies that are being studied	Author
Level I Region	The Audit Board of the Republic of Indonesia Yogyakarta Representative	Sudiantoro (2014)
	Manado Regional Office of the Directorate General of State Assets	Judas (2013)
	West Sumatra Provincial Social Affairs Office	Oktaria (2013)
	North Maluku Regional Government	Ibrahim and Pribadi (2016)
	South Sulawesi Regional Government	Mujahid and Edwar (2018)
	North Sulawesi Provincial Culture and Tourism Office	Montolalu, Kawet, and Nelwan (2016);
	West Java Public Prosecutor's Office	Reza (2013)
Level II Region	Kampar Regional Civil Service Agency	Yena (2012); Marlina (2013)
	North Luwu Regional Government	Wahyu (2014)
	Bengkalis Regional Revenue Office	Saputra, Hendriani, and Machasin (2017)
	Soppeng Regency Government	Were and Ilyas (2016)
	Manado Inspectorate Office	Rori et al. (2014)
	Ciamis Region Civil Service and Training Agency	Ropi (2017)
	Jember Regional Civil Service Agency	Ramadhan (2016)
	Barito National and Political Unity Office	Rakhman et al. (2016)
	West Kutai Regional Civil Service Agency	Philips (2014)
	The Regional Secretariat of the Dumai Mayor's Office	Akbar (2018)
	Sangihe Islands Regional Government	Bataha (2013)
	Gresik Regional Secretariat	Fadilah, Hakim, and Siswidiyanto (2013)
	Makassar Regional Civil Service Agency	Hakiki (2016)
	Secretariat of Solok's Regional House of Representative (DPRD)	Mulyani (2019)
	Majena Human Resources and Empowerment Agency	Andika, Jayadi, and Safriani (2019)

Local Government Level	Local Government/Agencies that are being studied	Author
Level II Region	Kapuas Hulu Regional Government	Apriadi (2016)
	Talaud Island Office of Education, Youth and Sport	Mahda, Lengkong, and Laloma (2015)
	Malang Municipality Government	Nugroho (2013)
	Banda Aceh Regional Secretariat	Maulana (2019)
	Nganjuk Regional Civil Service Agency	Gautami (2013)
	North Aceh Regional Civil Service Agency	Murad (2012)
	Palembang Regional Civil Service Agency	Prawira (2018)

The analysis of each article will focus on employee mutation policies, implementation of employee mutation, placement, performance, and career development.

First Synthesis Result: Mutation Policy

Regulations regarding employee mutation policy are regulated by Law Number 8 of 1974 concerning Principles of Civil Service, Government Regulation Number 11 of 2017 concerning Management of Civil Servants to Regulation of the National Civil Service Agency Number 5 of 2019 concerning Procedures for Implementing Mutation. This regulation was subsequently implemented and became an employee mutation policy exercised by government agencies in Indonesia. Ibrahim and Pribadi (2016) conducted research related to employee mutations enforced in the North Maluku Regional Government. Their research described that there are two types of employee mutations, namely production mutations, which are mutations in the same position because production in the previous place has decreased, and replacement mutations, namely, transfer from the previous positions to other positions to replace employees who have been absent from their jobs for a long time or employees who have been terminated. Transfer of employees also consists of several factors, ranging from policies and leadership regulations, the principle of the right people in the right place, and coordination. Based on these

types and factors, it is known that the enforced mutation policy can affect efforts put into place regulations and implement work efficiency, because of the right principles and division of labor based on employee competence (Ibrahim & Pribadi, 2016).

In contrast to the above theory, Gautami (2013) explains that there are four indicators in implementing the employee mutation policy, namely work performance, skills, behavior, and leadership. According to his interpretation, it turns out that the mutation policy applied by Nganjuk Regional Civil Service Agency has not been implemented optimally, because there are still elements of subjectivity and political affiliation. Furthermore, job analysis is not carried out optimally due to limitations in analyzing employee position based on performance, position map, and a list of job vacancies from various agencies. As a result, employees' needs are unmet. Professionalism has also not been visible in the placement of employees based on the educational background of employees. Mahda, Lengkong, and Laloma (2015) explain that an employee mutation policy is an activity regulated in the Law in the form of regulations on employee mutations that are put into effect vertically and horizontally and aims to develop employee potential, enthusiasm, and performance, to produce more innovative and creative employees.

Yena (2016) points out that there are other factors in the implementation of employee

mutation policy, such as the division of labor that corresponds to employee competencies, increasing employee capital and productivity, promotion and work career development by enhancing authority, responsibility, and income, as well as a form of a refresher of duties and authorities. Given these factors, coordination should be well-established so that it can become an appropriate competition platform, and with established policies starting from preparation, implementation, evaluation, and supervision. Through restrictions of incoming and outgoing employees in the context of filling job vacancies can also reduce turnover if transfers of employees are carried out under policies and objectives set by the agency.

Akbar (2016) explains that other objectives of enforcing an employee mutation policy are to add experts to units that are in need, filling vacant positions as a form of promotion, and improving performance by taking into account employee performance and working hours. Bataha (2013) explains that there are indicators used to assess the impact of mutation policies on structural positions in public services to create public sector accountability, including work experience, knowledge, and skills, as well as employee empowerment.

Professionalism in the implementation of this policy is shown through coordination with positions and ranks in implementing employee mutations, which have a positive impact on employees ranging from improved communication and employees becoming proactive in performing their assignments. Employees are also given the facilities to innovate in public service duties so that they are ready to get promoted as a form of career development. The factors that influence the application of employee mutations according to the analysis results of all articles are presented in Table 2.

Second Synthesis Result: Implementation of Employee Transfer

The mechanism or rules for implementing employee mutation are rested on several considerations, such as vacant positions and other numerous factors. Mujahid and Edwar (2018) express that the transfer to South Sulawesi Government is done based upon Law Number 5 of 2014 on State Civil Apparatus and Government Regulation Number 13 of 2002 on the Appointment and Dismissal of Civil Servants from Structural Positions. The implementation is carried out on a situational basis regarding the organizational needs but emphasizes more on promotion and career development based on employee performance and achievement to serve as a motivation and appreciation. An implementation that is not under the objectives can also occur, seen from the decline in performance and the presence of personal and functional problems. Within the scope of Regional Government, employee changes, transfers, or employee furloughs are becoming the concern of employees, starting from the transfer of power from senior employees to new employees to "regime change" within the regional government. The practice of employee mutation is conducted through a "simplified" mechanism of the organization without taking into account levels of position, competencies, as well as education and training of employees.

There are several other legal frameworks applied by Majene Regional Government in implementing employee mutations as specified by Andika et al., (2019). In addition to Law of the Principles of Civil Service, the Majene Regional Government also refers to Government Regulation Number 63 of 2009 concerning Amendments to Government Regulation Number 9 of 2003 concerning the Authority to Appoint, Transfer, Dismissal of Civil Servants, Government Regulation Number 100 of 2000 concerning Appoint-

Table 2. Factors that affect the application of employee mutation

Factors that affect the application of employee mutation	Supporting Research
Increased motivation, achievement, productivity, performance, work effectiveness, and efficiency	Akbar (2018); Andika, Jayadi, and Safriani (2019); Apriadi (2016), Judas (2013); Mahda, Lengkong, and Laloma (2015); Sudiantoro (2014); Philips (2014); Ibrahim and Pribadi (2016); Marlina (2013); Ramadhan (2016); Hakiki (2016)
Employee empowerment	Akbar (2018); Bataha (2013); Ramadhan (2016)
Career development and employee potential	Akbar (2018); Andika, Jayadi, and Safriani (2019); Apriadi (2016); Mujahid and Edwar (2018); Rakhman et al. (2016); Reza (2013)
Incorporation of expert in units that requires an expert	Akbar (2018); Were and Ilyas (2016)
Transferring employees and filling vacant positions	Akbar (2018); Apriadi (2016); Wahyu (2014); Marlina (2013)
Forms of punishment and reward	Akbar (2018); Ibrahim and Pribadi (2016); Hakiki (2016)
Efforts to implement regulations	Akbar (2018); Ibrahim and Pribadi (2016); Marlina (2013); Yena (2012)
Refresher duties and authority	Akbar (2018); Andika, Jayadi, and Safriani (2019); Wahyu (2014); Hakiki (2016)
Adding experience, expand knowledge and it becomes a platform for competition	Andika, Jayadi, and Safriani (2019); Bataha (2013); Marlina (2013); Yena (2012)
Applying the principle of the right man in the right place	Apriadi (2016); Were and Ilyas (2016); Ibrahim and Pribadi (2016); Marlina (2013); Yena (2012)
Producing employees that are more creative and innovation	Mahda, Lengkong, and Laloma (2015)
Job promotion	Mujahid and Edwar (2018); Rakhman et al. (2016); Reza (2013); Hakiki (2016); Yena (2012)
Organizational needs	Wahyu (2014); Ibrahim and Pribadi (2016)
Increasing working capital	Yena (2012)

ment of Civil Servants to Structural Positions as amended by Government Regulation Number 13 of 2002, Regulation of the Minister of State Apparatus Empowerment and Bureaucratic Reform of the Republic of Indonesia Number 100 of 2000 and Law Number 13 of 2014 concerning Procedures for Filling High Leadership Positions Openly in Government Agencies. The transfer of employees is carried out for mutation and filling of positions for State Civil Apparatus who have sufficient capacity, competence, and integrity to fill these positions to be able to carry out their duties and authorities effectively and efficiently, gain experience and expand knowledge. The mechanism for implementing the transfer of positions starts from the stages of inventorying and collecting information on job vacancies, the nomination of prospective officials, selection of candidates established by the Positions and Ranks Proceedings to the inauguration stage. The employee mutation policy must be implemented regarding the merit system by taking into account the achievement, work discipline, and professionalism which have not been effectively put into practice because it is known that there are elements of like and dislike (spoils system), factors of individual or group interests, establishing a close connection with the leadership as well as nepotism.

Unlike the implementation of employee mutation carried by the Government of Malang City which is initiated with a job analysis, a list of the proposed mutation, Judgment and Ranks Proceedings, approval of the Board of

Trustees until the inauguration. However, in its implementation, there are still obstacles, such as administrative and psychological factors. Administrative factors occur if one of the mutation criteria has not been met, while the psychological factor is when employees do not adapt easily which led to employees not being able to carry out their duties and responsibilities accordingly (Nugroho, 2013). In contrary to the implementation of employee mutation in North Luwu as described in Wahyu (2014), the job transfer procedure starts with the official in charge of inventorying existing structural vacancies, supplemented by job requirements, and the establishment of structural positions. Vacancies are notified to all heads of Regional Work Units, nominations of candidates for officials who meet the requirements of Regional Work Units, sessions for Advisory Bodies and Departments, decisions of development officials, to the inauguration process. In addition, there are considerations made by Baperjakat (Advisory Board for Position and Rank) and Officers of the Civil Service Agency in implementing personnel transfers, such as professionalism, seniority, age, education, and training. However, factors of familial approach and kinship in work placement resulted in some employees experiencing conflicts in their job position against their competencies. The placement of employees based on political affiliation and kinship shows the creation of political dynasties and nepotism within the North Luwu Government which can lead to a culture of corruption, collusion, and nepotism as well as bureaucratic politicization which reduces the performance of apparatus in public services.

As with the implementation of employee mutation by Jember Regional Civil Service Agency, such is performed as a guideline for improving the competence of employees by qualifying the requirements set by the Central Government. Those requirements include not serving any sentence, satisfying labor standards, and a minimum work experience of one year. As opposed to the employee mutation that occurs because an employee requested immediate demotion but if the job is not available then the request can not be granted (Ramadhan, 2016). Philips (2014) explained that the transfer of employees at the Kutai Barat Regional Civil Service Agency to Mahakam Ulu was undertaken based on career development procedures and carried out objectively based on work performance. The legal basis for the transfer is also derived from the West Kutai Regional Regulation Number 34 of 2001 concerning the Establishment of the Organization and Work Procedure of Regional Civil Service Agency, which in its implementation certainly has supporting and inhibiting factors. The supporting factor is the need for employees at the Regional Government Working Units as they have vacant positions at Mahakam Ulu, while the inhibiting factor is the lack of accurate data which can affect final decisions and create differences of opinion within the Regional Civil Service Agency.

The Kapuas Hulu Regional Government has implemented an employee mutation policy based on an achievement system, but it has not been implemented optimally because there are no legal competency requirements, only administrative requirements which include work experience and training education. Another reason is also based on the lack of employees with positions that match their expertise. As a result, the transfer process has not been effective and efficient (Apriadi, 2016). Ropi (2017) explains that the implementation of employee mutation at the Ciamis Regional Civil Service Agency as well as in the Education and Training Agency has not been effective, because there are still problems such as slow verification and processing of data on submission of mutations, and lack of certainty of time regarding employee placement. Obstacles also subsisted in exercising effectiveness, among others the mismatch of employee placement against the

educational background, the competence of human resources, dissemination of information, and slow achievement of targets for the implementation of employee mutation.

Hakiki (2016) describes that the implementation of employee transfer in Makassar is based on indicators of qualification, competence, fairness, sound reason, transparency, and accountability. According to Law Number 5 of 2014, Article 2 of the Management of State Civil Apparatus, one of which is based on the principle of accountability, specifies that the transfer process can be accounted for administratively as well as from the manpower legal aspect. Employee mutation is also exercised based on the principles of a State Civil Apparatus which include commitment, moral integrity, and responsibility for public services, hence mutation is made based on considerations of trust, service, competence, academic ability, education, and employment. Performance is aimed at performance for public services with at least two years of service to create public sector accountability that can provide information for internal and external organizations. Most of the research or articles that have been analyzed have the same legal basis. The legal basis used in exercising employee mutation policy in the government is presented in the appendix.

Third Synthesis Result: Employee Placement

Placement of employees who are transferred must apply the principle of professionalism with the ability of employees to hold positions regardless of gender, ethnicity, race, religion, or certain groups to realize public governance and services with public sector accountability. Were and Ilyas (2016) explain that there are several considerations in employee placement, starting from competence, work performance, rank, without discrimination, and loyalty. However, the like or dislike system is still applied within the scope of the

Soppeng Regency Government in implementing employee mutation without bearing in mind the educational background of employees. The West Sumatra Social Affairs Office undertakes various efforts in the placement of employees, as stated in Oktaria (2013) such as by taking into account the educational background, assignments that are given, work experience, health conditions, and age of employees. This shows that employees who perform well will make a positive contribution to the goals of the organization if they are placed in a suitable work location, therefore such factors must become the attention of the superiors when adjusting employee placement to improve performance.

Employee placement is an important indicator in improving performance at the Manado Inspectorate Office which is influenced by factors such as academic achievement, work experience, medical tests, attitudes, and age of the employee concerned (Rori et al., 2014). As with Bengkalis Regional Revenue Office, Saputra et al., (2017) explain that the more accurate placement of employees with the expertise they have, the better their performance will become. Among the factors of employee placement, there are mental and physical health factors that differentiate the placement of employees applied in other agencies. In contrast to Murad (2012), which describes that the suitability of employee placement encompasses the suitability of attitudes, skills, and knowledge that affect performance. Good performance is evidenced by an increase in the quantity and quality of results as well as time efficiency in carrying out its duties and responsibilities. Fadilah et al., (2013) pointed out that employee mutation at the Gresik Regional Secretariat was carried out based on suggestions from each division requiring new employees. Subsequently, prospective employees were selected based on the needs outlined in the requirements. If the prospective employee is deemed suitable, then the indi-

vidual will be recruited as part of the unit based on performance indicators such as meeting the quality and quantity targets of performance, as well as the time to complete the work. Hence, there is a stimulating effect between the suitability of knowledge, abilities, and skills against the performance. Furthermore, Montolalu et al., (2016) express that employee placement has an effect on performance, but it is expected that the leadership will continue to improve the ability of employees and conduct periodic supervision to maintain such performance. As specified in Mulyani (2019) that placement affects employees' performance, so it may be concluded that proper placement of employees can increase employee performance. Based on the results of these studies, we can see the indicators that are considered in the placement of employees, which are summarized in Table 3.

Fourth Synthesis Result: Employee Performance

Several aspects affect the implementation of the employee mutation policy in several agencies in Indonesia, both in terms of employees and organizations, one of which is employee performance. The Financial Inspectorate Board of the Yogyakarta City Representative has not optimally implemented the employee mutation policy based on the merit system because, in its implementation, employees have not been motivated to improve their performance or to achieve target time. Despite the fact, employee mutation

still has a positive effect on employee performance (Sudiantoro, 2014). Furthermore, Prastiwi et al., (2019) express that rewards for employees play a role in motivating and binding employees because with these awards employees feel their contributions are appreciated and get recognition for their hard work and efforts. Unfortunately, this is not strictly enforced in Indonesia which results in a decrease in the service quality of public sector organizations and the performance of their employees.

Judas (2013) expresses that employee mutations can improve the performance of employees at the Regional Office of the State Directorate General of North Sulawesi and North Maluku in Manado, but the mutation is not carried out based on the employees' intention but rather according to the instruction of the leadership. Promotion, which is a form of career development, motivates employees to continue to improve their achievements and performance. As opposed to Prawira (2018) who wanted to focus his research on the poor performance of employees at the Palembang Regional Civil Service Agency. As a result, the agency wanted to get the right employees in the right location. Based on the results of the analysis and research, it can be concluded that job mutation is related to performance which includes public services and it is expected that the management can enforce the mutation policy.

Table 3. Employee Placement Indicators

Indicators of Placement	Supporting Research
Academic achievements	Rori et al. (2014); Saputra, et al. (2017); Philips (2014)
Work experience	Rori et al. (2014); Saputra, et al. (2017)
Mental and physical health	Rori et al. (2014); Saputra, et al. (2017); Philips (2014)
Attitude	Rori et al. (2014)
Age	Rori et al. (2014); Saputra, et al. (2017); Philips (2014)
Educational background	Philips (2014)

Fifth Synthesis Result: Employee Career Development

Other outcomes that arise from mutation policy in addition to the performance, one of which is a means of career development. Maulana (2019) stated that the mutation policy at Banda Aceh Secretariat was carried out effectively and had an effect on employee career development which was carried out based on a merit system. As with the mutation policy applied in West Java's High Court, Reza (2013) explained that the application of such policy aimed to fill vacant positions to put into practice Kep-116/JA/6/1983 on Organization, Structure and Work Procedure of the Public Prosecutor's Office of the Republic of Indonesia. Unfortunately, its implementation has not been effective due to limited funds. Career development is put into practice based on the Attorney General's decision and in accordance with the objective assessment of the level of education, skills, and technical abilities of employees in completing their work.

Based on the current condition of the North Barito National and Political Unity Agency, it needs to increase its internal and external roles to provide prudential service in the career development of public organizations' employees. Indicators that support employee career development include job mutation, promotion, and competence as a form of reward and employee commitment (Rakhman, Alfany, & Kurniaty 2016). Marlina (2013) says that there are indicators that affect the career development of employees at Kampar Regional Civil Service Agency, such as promotion, education and training, and employee transfer. The application of employee mutation can be a medium for developing employee careers because it can establish and expand work experience. The indicators that affect career development based on the results of the analysis conducted on the articles and are presented in Table 4.

The results of the analysis of previous studies related to policy and implementation of mutation in various government agencies in Indonesia show that there are factors in the

Table 4. Indicators that supports employee mutation

Indicator	Authors
Achievement	Andika, Jayadi, and Safriani (2019); Apriadi (2016); Gautami (2013); Mujahid and Edwar (2018); Wahyu (2014); Were and Ilyas (2016)
Discipline & Leadership	Andika, Jayadi, and Safriani (2019)
Departure	Andika, Jayadi, and Safriani (2019); Apriadi (2016); Wahyu (2014); Were and Ilyas (2016)
Professionalism	Andika, Jayadi, and Safriani (2019); Apriadi (2016); Wahyu (2014); Were and Ilyas (2016)
Educational Background & Training	Andika, Jayadi, and Safriani (2019); Mujahid and Edwar (2018); Wahyu (2014); Ibrahim and Pribadi (2014)
Work Experience & Loyalty	Andika, Jayadi, and Safriani (2019)
Period of Service & Age	Andika, Jayadi, and Safriani (2019); Ramadhan (2016)
Qualification	Andika, Jayadi, and Safriani (2019); Fadilah, Hakim, and Siswidiyanto (2013); Hakiki (2016)
Competence	Andika, Jayadi, and Safriani (2019); Apriadi (2016); Wahyu (2014); Were and Ilyas (2016); Ibrahim and Pribadi (2014); Hakiki (2016)
Performance assessment	Andika, Jayadi, and Safriani (2019); Ramadhan (2016); Hakiki (2016)
Capacity & Integrity	Apriadi (2016)
Knowledge, Abilities & Skills	Fadilah, Hakim, and Siswidiyanto (2013); Gautami (2013); Ibrahim and Pribadi (2014)

implementation of mutation policy. These factors include meeting organizational needs, putting into force policies or leadership regulations, implementing the principle of the right person in the right place, division of labor according to competencies, improving employee performance and productivity, promotion and career development, and several other goals. The target is the effort to implement various prevailing laws and regulations from national to sub-national laws. This effort will serve as a means of increasing work efficiency and to empower Civil Servants for their performance to improve. Through employee performance that continues to advance, it will certainly have an impact on public services in providing information for internal and external organizations to create public sector accountability related to transparency and information delivery as a way to fulfill public rights.

Employee performance appraisal involves other agencies authorized to assess employee performance, namely the Advisory Board for Position and Rank (Baperjakat), which in carrying out their duties and responsibilities must comply with Government Regulation Number 13 of 2002 concerning the Appointment of Civil Servants in Structural Positions. However, the implementation is still not running as it should be. This is apparent in some agencies where there are still political affiliations and kinship in the implementation of employee mutation policy and as a result creates a culture of corruption, collusion, nepotism, and bureaucratic politicization which causes public services to decline. There are still employee transfers and assignments that have not adjusted the competence of employees to their duties and responsibilities in new positions and work locations, considering that education, skills, and attitudes are not taken into consideration. The implementation of the mutation policy for civil servants certainly has an impact, both for individual employees and for organizations.

Improving employee performance is one example of the impact of implementing an employee mutation policy. The incompatibility of policies with the implementation of mutation and placements that still occur in several agencies has had a negative impact, such as an ineffective performance increase for employees, which in the long run will affect the career development of employees. Although employee transfer can be a means of adjusting the ability of employees to organizational needs based on qualifications, competencies, and performance appraisals, evaluation and improvement are still needed to achieve the goal of transfer through applicable regulations.

The mutation policy that should be carried out in government agencies in Indonesia must consider the capabilities and qualifications of employees for new positions or authorities to be assigned. First, a selection is carried out to determine candidates who are eligible for new positions, followed by training, monitoring, and evaluation to see to what extent employees can adjust to new positions and authorities, whether they can complete tasks accordingly and to be able to improve their performance in new fields. Furthermore, the process also needs to be made stricter to prevent corruption, collusion, nepotism, political affiliation, and kinship in implementing employee mutation policy in these government agencies. Figure 2 illustrates the mutation policy that applies to government agencies.

These fraudulent practice makes policies deemed unfair to some parties, resulting in the mismatch of employee placements against their qualifications, undeveloped employee performance, and a decline in employee career development. Effectiveness in its implementation is also needed to determine to what extent the mutation policy is carried out according to the stipulated regulations. Furthermore, suggestions, and recommendations from various parties also need to be consi-
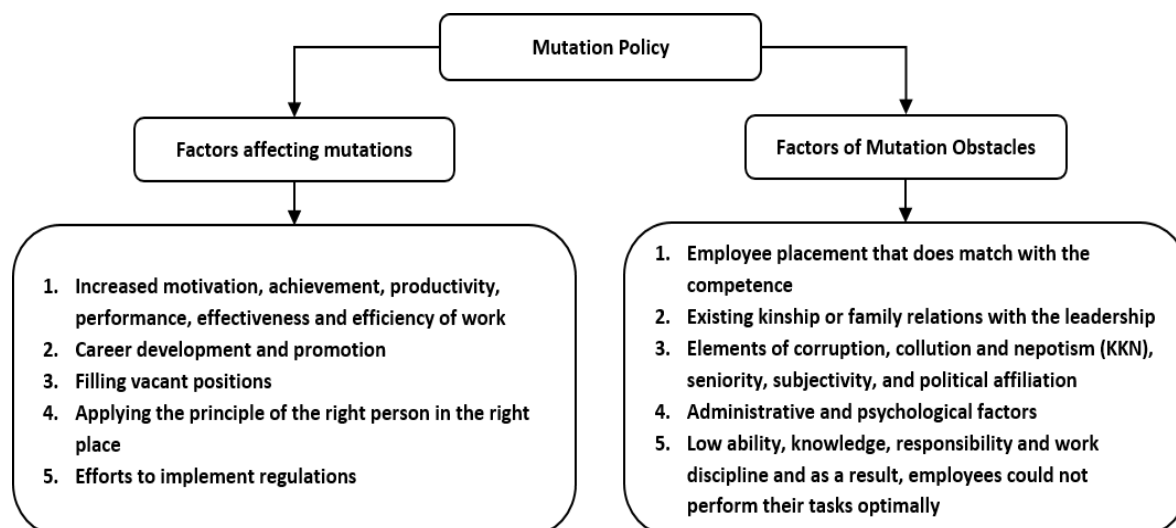
Figure 2. Mutation policy that applies to Government Agencies

dered. One of the recommendations is the research considering that research is conducted based on theory and comparing it with the reality in the field, therefore research can be taken into consideration in improving such policy.

Various regulations in Indonesia are related to employee mutation, from national to subnational laws, but the implementation is made by the leadership/management and implementation of mutation by several agencies is still not in compliance with these regulations. The two factors that underlie the mutation, the prevailing principles, can benefit individual employees. Such as with employee placement, regulations governing employee placement have not been elaborated. It is still often that in conducting employee placement, the competence and ability of each employee does not match with their duties and responsibilities which in the long run will affect individual performance. This occurs because there are still factors of political affiliation and family relations in placing employees in new positions or work locations.

In addition to regulations related to policies and implementation of employee mutation, there are also rules and several matters that are influenced by the implementation of mu-

tation, ranging from employee behavior, work performance and productivity, facilities to increase experience and expand knowledge, to the capability of producing employees to become more creative and innovative. Similarly, standards regarding employee performance and career development are some of the factors that influence the implementation of employee mutation policies, but several previous studies have not included ways to measure performance and implementation of employee career development. The standards under this regulation have not been touched upon. Moreover, applying the principle of government employees who can provide public services is also an influential factor in the implementation of employee mutation. Concrete policy suggestions are also needed to refine future mutation policies to avoid fraud committed by unscrupulous individuals. In the long run, it will affect public services in providing information to the public, which is one of the objectives of public sector accounting, namely management control and accountability. This can be an object for further study to conduct evaluation and improvement to produce research that is useful for many stakeholders. Readers, organizations, and researchers to subsequently produce good input for agencies/organizations to adjust and refine the employee mutation policy applicable to

employees. The appropriate policies can certainly improve performance and develop the careers of its employees along with producing many other positive impacts to achieve organizational goals.

CONCLUSION

Several previous studies pointed out that the employee mutation policy imposed by several agencies in Indonesia has not been implemented effectively, resulting in the placement of employees with inappropriate competencies. Consequently, employees will find it difficult to develop and improve their performance which will have an impact on their career development. For this reason, a literature study was carried out to collect several studies related to mutation policies and their implementation, employee placement to their relationship with employee performance and career development. From this study, several conclusions can be drawn.

Firstly, employee mutation policy carried out by several agencies is based on several factors, such as increased motivation, achievement, productivity, performance, work effectiveness, and efficiency, career development and promotion, filling vacancies, applying the principle of the right person in the right place and various other factors. The supporting indicators for mutations are achievement, competence, educational background, rank, and so on. Secondly, several legal foundations that serve as guidelines in the implementation of mutation policy, from national to subnational legislation becomes applicable policies. However, in its implementation, there is still corruption, collusion, nepotism, political affiliation, family connections, and close relations with leadership. Thirdly, the placement of employees is based on academic achievement, work experience, physical and mental health, attitude, age, and educational background but it has not been imple-

mented to its fullest because there are still employees who are not being placed according to the competence of their employees.

Fourth, mutations made based on a merit system are indicated to improve employee performance encompasses public services to provide information to the public. Such information is the right of the public as a form of transparency to create public sector accountability. Finally, another mutation goal is a platform for career development and employee promotion to continuously add experience and broaden knowledge and to produce more creative and innovative employ-yyees. Employees with good knowledge and competence will certainly help the organization to achieve organizational goals.

These matters need to be the focus of the leadership and conduct further research to carry out more in-depth and detailed research related to employee mutation policy imposed on these civil servants. There are suggestions and input for further research, namely related to the implementation of mutation policies and various regulations that serve as guidelines for employee mutation, implementation effectiveness, service quality to create public sector accountability, to measures and standards for improving performance and career development which are the factors that are affected by the mutation policy. Suggestions related to mutation policies that can be applied to various government agencies in Indonesia must be executed fairly, starting from the selection process, coaching, to the placement of employees. Employee competencies also need to be considered in occupying new positions and powers with the purpose to improve their performance and develop their careers. Training to evaluation can also be used as a means of assessment in viewing to what extent can employees adjust to the new work environment with many changes, both in terms of job descriptions, direct leadership, assign-

ments, and so on. The process also needs to be strengthened to avoid fraud and political affiliation to achieve goals based on the principle of the right person in the right place.

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APPENDICES

Appendix 1. Synthesis of Legal Foundation Policies and Implementation of Employee Mutation

Legal Basis	Research
Law Number 8 of 1974 on Principles of Civil Service	Akbar (2018); Gautami (2018); Sudiantoro (2014); Philips (2014); Ramadhan (2016)
Law Number 41 of 2007 on Regional Apparatus Organization	Akbar (2018)
Government Regulation Number 9 of 2003 on the Authority of Appointment, Transfer and Dismissal Civil Servants	Akbar (2018); Andika, Jayadi, and Safriani (2019); Apriadi (2016); Mujahid and Edwar (2018); Rakhman et al. (2016); Sudiantoro (2014); Philips (2014); Hakiki (2017); Yena (2012)
Law Number 43 of 1999 on Principles of Civil Service	Akbar (2018); Andika, Jayadi, and Safriani (2019); Apriadi (2016); Gautami (2018); Mahda, Lengkong, and Laloma (2016); Sudiantoro (2014); Wahyu (2014); Ibrahim and Pribadi (2014); Marlina (2013); Yena (2012)
Statement Letters 820/BK-PSDM/003/I/2017 and 820/BK-PSDM/004/2017	Andika, Jayadi, and Safriani (2019)
Law Number 5 of 2014 on State Civil Apparatus	Andika, Jayadi, and Safriani (2019); Apriadi (2016); Mujahid and Edwar (2018); Were and Ilyas (2016); Ibrahim and Pribadi (2014); Maulana (2019); Hakiki (2016)

Legal Basis	Research
Government Regulation Number 100 of 2000 on the Appointment of State Civil Servants in the Structural Positions	Andika, Jayadi, and Safriani (2019); Apriadi (2016); Bataha (2013); Mujahid and Edwar (2018); Nugroho (2013); Sudiantoro (2014); Wahyu (2014); Were and Ilyas (2016); Ramadhan (2016)
Regulation of the Ministry of State Apparatus Empowerment and Bureaucracy Reform of the Republic of Indonesia Number 13 of 2014 on the Procedures for Filling High Leadership Positions Openly in Government Agencies	Andika, Jayadi, and Safriani (2019); Mahda, Lengkong, and Laloma (2016); Montolalu, Kawet, and Nelwan (2016); Rakhman et al. (2016)
Law Number 11 of 2017 on the Management of Civil Servants	Apriadi (2016); Maulana (2019)
Regent Decree Number 67 of 2018 on Organizational Structure and Working Procedures	Apriadi (2016)
Nganjuk Regent Regulation Number 17 of 2009 on Details of the Duties, Functions and Work Procedures of the Inspectorate, Regional Development Planning Agency and Nganjuk Regional Technical Institution	Gautami (2018)
Government Regulation Number 46 of 2011 on Performance Assessment of Civil Servants	Gautami (2018)
Government Regulation Number 99 of 2000 concerning Promotion of Civil Servants	Rakhman et al. (2016); Ibrahim and Pribadi (2014)
Law Number 23 of 2014 on Regional Government	Rakhman et al. (2016)
Ciamis Regent Regulation Number 13 of 2009 on Details of Main Duties and Organizational Functions at Regency Technical Agencies	Rakhman et al. (2016)
Government Regulation Number 8 of 2003 on Guidelines for the Regional Apparatus Organization	Sudiantoro (2014)
Government Regulation Number 13 of 2002 on Appointment and Dismissal of Civil Servants from Structural Positions	Wahyu (2014); Were and Ilyas (2016)
North Luwu Regent Regulation Number 16 of 2011 on the Advisory Council for Position and Rank	Wahyu (2014)
Law Number 32 of 2004 on Regional Government	Philips (2014), Marlina (2013)
Regulation of the Minister of Law and Human Rights M.04/ PW.07.03 of 2007 on the Instructions for the Appointment, Transfer and Dismissal of Appointments and Dismissal of Civil Servant Investigators	Philips (2014)
Kep-116/JA/6/1983 on the Organizational Structure and Work Procedure of the Republic of Indonesia Public Prosecutor's Office	Reza (2013)
Government Regulation Number 53 of 2010 on Civil Servants Discipline	Hakiki (2016)
Decree of the Head of the National Civil Service Agency Number 21 of 2010 on Civil Servant Rules	Hakiki (2016)
Decree of the Head of the State Personnel Agency Number 13 of 2003 concerning the Authority to Appoint, Transfer and Dismiss Civil Servant	Hakiki (2016)

Appendix 2. Barriers in the Implementation of Employee Mutation

Barriers in the Implementation of Employee Mutation	Authors
The role of the Position and Rank Advisory Body as an assessment body has not been optimal	Akbar (2018); Apriadi (2016)
Employee mutation is put to practice as a form of punishment for employees	Akbar (2018)
The purpose of the mutation has not been effective	Akbar (2018); Gautami (2018)
There is still government official's interference in determining employee mutation	Andika, Jayadi, and Safriani (2019)
Some employees volunteered to be transferred for personal reasons which contradicts the Civil Service oath	Andika, Jayadi, and Safriani (2019)
There are vacant positions that are not filled due to the absence of officials who could not meet the requirements as they do not have the competence	Andika, Jayadi, and Safriani (2019)
Employee placement that does not match with their competence and level	Andika, Jayadi, and Safriani (2019); Apriadi (2016); Gautami (2018)
Family connections, close relations with leaders as well as like and dislike	Andika, Jayadi, and Safriani (2019); Wahyu (2014)
There are elements of corruption, collusion and nepotism, seniority, subjectivity and political affiliation in the implementation of employee mutation	Gautami (2018); Wahyu (2014)
Administrative and psychological factors	Andika, Jayadi, and Safriani (2019); Apriadi (2016); Nugroho (2013)
Lack of civil servants	Apriadi (2016)
The employee mutation policy is still based on seniority system	Apriadi (2016)
The low ability and knowledge of employees as well as lack of responsibilities and work discipline. As a result, their performance are not optimal	Gautami (2018); Rakhman, et al. (2016)
Dissemination of information on the implementation of mutation	Rakhman, et al. (2016)
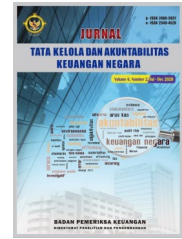
THE IMPLEMENTATION OF RESTRUCTURING PROGRAM AND ACTIVITIES BASED ON THE MONEY FOLLOW PROGRAM IN REGIONS

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ABSTRACT

The current planning and budgeting paradigm has changed from money follows function into money follows program but this paradigm is considered to not provide clear and concrete benefits. Likewise, the implementation of the money follows program was still problematic, such as program restructuring and problematic activities. Based on these problems, the purpose of this study is to determine the implementation of restructuring programs and activities of local governments and the factors that support and hinder the implementation of restructuring programs and activities in local governments since the enactment of the money follow program. The method used in this study is a descriptive method with a qualitative approach. The results show that programs and activities planned by using the money follow program approach have been implemented in several locus study areas (West Sumatra Province, West Java Province, and Yogyakarta Province). However, the implementation still varies. There are still doubts for the regions in the implementation, especially because it is related to the legal basis. Likewise, there are several inhibiting factors such as human resources, policy substance, implementer behavior, and network interactions. For this reason, the study concludes that it is necessary to make adjustments to the central government policies related to regional development planning guidelines and budget allocation.

KEYWORDS:

Money follow program; money follow function; activity program; budget

INTRODUCTION

Law Number 17 of 2003 concerning State Finances mandates that budget users in preparing planning and budgeting must be based on several criteria. They must be performance-based (performance-based budgeting), medium-term (medium-term expenditure framework), and pay attention to the unified budgeting system. This regulation was also strengthened by the presence of Law Number 25 of 2004 concerning the National Development Planning System. The two regulations show the relationship and consistency between planning, budgeting, implementation, and supervision. This is because Law Number 25 of 2004 ensures that the preparation of a national development strategy must take the funding framework into account.

Besides, the consistency of national development planning is also mandated by the latest regulations such as Law Number 23 of 2014 concerning Local Government. The Law of Local Government requires regions to prepare development planning documents consisting of Regional Medium Term Development Plans (Rencana Pembangunan Jangka Menengah Daerah, RPJMD), Regional Long-Term Development Plans (Rencana Pembangunan Jangka Panjang Daerah, RPJPD) (Zarista & Ichsan, 2020), and Local Government Work Plans (Rencana Kerja Pemerintah Daerah, RKPD). Regarding those several regulations, coordination, and synchronization between planning and budgeting at the central and regional levels are required. For example, the preparation of RKPD must refer to the Government Work Plan (Rencana Kerja Pemerintah, RKP).

On the other hand, when the coordination and synchronization between planning and budgeting at the central and regional levels were not optimal, the paradigm in planning and budgeting began to change. The preparation of planning and budgeting is no longer oriented towards money follows function, but has to be oriented towards money follows program. This was also a direction from President Joko Widodo in his cabinet, who urged all cabinet ministers to use their spending budgets according to priority programs (Kusuma, 2016).

These reasons were clear because the previous budgeting system still used the money follow function system, in which the budget followed the duties and functions of the line ministries. In 2017, the State budgeting must be oriented to benefits for the people and priority-oriented to achieve national development goals (*Analisis Kebijakan*, 2019). On the other hand, the shifting of the money follows function paradigm into money follow program aimed at maximizing the achievement of development and government priorities and right on target (Saputri, 2019). Presidential directives automatically require that adjustments not only be made by the ministries/agencies at the central level but also apply to local governments.

The preparation of planning and budgeting by using the money follow function paradigm has been considered problematic. Some of the problems, such as programs and activities along with their performance indicators, are not yet fully used as a means of measuring the effectiveness of achieving development goals. Then spending and performance accountability are also far from efficient. Also, this principle makes programs often arranged based on line items (details of expenditures), not in the form of output-oriented activities. As a result, there is no visible linkage with the expected outcome (Bappenas, 2009). The money follows function paradigm also often raises sectoral egos (Himawan, 2017).

The money follows function paradigm actually has benefits. However, if looked at the

current reality, many autonomous regions have not been able to implement this concept properly. This can be seen from the fact that regional financial management cannot be utilized optimally due to the lack of ability to carry out their respective functions. Regional financial funds cannot be managed properly, so they must be returned to the state. Not because some of the funds that have been used are sufficient to meet the needs of the region, but rather the lack of clarity of the work units involved in predicting and interpreting what should be included in the budget line and how the funds are allocated. Increasing the amount of the budget without improving leadership qualities and without solving problems (Haliim, 2020).

Several studies related to the paradigm of planning and budgeting, especially those related to the money follow program-based budgeting paradigm have been conducted. For example, research related to the implementation of performance-based budgeting with money follows program concept in planning and budgeting in Padang, West Sumatra conducted by Ningsih, Wirahadi, and Fontanella (2018). Their research found that Padang City Government had implemented performance-based budgeting with the concept of the money follows program in planning and budgeting activities. This can be seen from the establishment of an organizational strategy (vision, mission, goals, and objectives), determination of activities, and evaluation of the performance of the previous period.

The principle of the money follows program has also been implemented in Lampung Province. Saputri (2019) found that the money follows program principle was outlined in Regional Regulation of the Lampung Province Number 27 of 2017 concerning the 2018 Budget Year. However, there are still deficiencies in the implementation of these principles such as the lack of human re-

sources and limited regional financial capacity.

So far, research related to the application of the money follows program principle in several regions is still limited. Apart from the two studies above, almost no other similar studies were found. The studies, that are the closest, are related to the effectiveness of the implementation of performance-based budgeting on the performance of regional apparatus in Malang Regency conducted by Suharnoko (2019). The results of this study indicate that the implementation is generally quite effective in terms of performance assessment potential, human force potential, and technical ability. The local government has made preparations for the implementation of performance-based budgeting, especially by issuing various technical instructions and the implementation. The results also show that the better the implementation of performance-based budgets, the better the absorption of the budget. This is because, in the budget formulation process which is systemically planned with a performance orientation, the absorption rate of the budget will be neatly scheduled, making it easier for the government to monitor, evaluate, and report information on the progress of the program being implemented.

Therefore, research related to program restructuring and activities based on the money follows program in the regions is very important. This study is also conducted to determine the implementation of restructuring programs and activities in local governments since the enactment of the money follow program-based budgeting and the factors that support and hinder its implementation. The existing studies have not discussed specifically, the factors that affect the implementations of the programs especially in Yogyakarta Province, West Java Province, and West Sumatra Province. Based on those issues, this research will discuss several re-

lated issues such as the implementation of restructuring programs and activities in local governments in three provinces since the implementation of the money follows program, as well as supporting and inhibiting factors for the implementation of restructuring programs and activities in local governments since the enactment of the program.

RESEARCH METHOD

This study focuses on the implementation of restructuring programs and activities based on the money follows program in three provinces; Yogyakarta, West Java, and West Sumatra. The locations were selected by purposive sampling, in which these areas were areas with high-performance evaluation scores based on the results of the Regional Government Implementation Performance Evaluation (Evaluasi Kinerja Penyelenggaraan Pemerintahan Daerah, EKPPD) conducted by the Directorate General of Regional Autonomy at the Ministry of Home Affairs in 2016. The study combines descriptive methods with a qualitative approach. This approach is considered appropriate because the variables regarding the restructuring of program activities based on the money follows program are considered to be multidimensional (Alwasilah, 2003).

Various perceptions from various parties involved, as well as various supporting documents related to the policy, were explored. Secondary data collection, in the form of electronic documents and physical documents as well as coverage in the mainstream mass media, was carried out to enrich the analysis. Meanwhile, to obtain perceptions from the various parties involved, in-depth interviews were conducted with various sources from three regions. Resource persons include the Head of the Regional Development Planning Agency (Badan Perencanaan Pembangunan Daerah, Bappeda), the

Head of the Regional Asset and Financial Management Agency, and experts in the field of public policy and regional finance. Data was also obtained through focus group discussions (FGD) with several local governments such as Yogyakarta Province, West Sumatra Province, and several regions considered to have implemented budgeting based on the money follows program such as DKI Jakarta Province, Central Java Province, Bogor City, and Depok City, as well as experts in planning and budgeting.

RESULT AND DISCUSSION

The money follows program is a budgeting approach that focuses more on programs/activities that are directly related to national priorities and have a direct impact on society to achieve national development goals (Bappenas, 2016). In its implementation, the principle of money follow program emphasizes several things such as securing allocations to priorities, reallocation of program activities that have been sufficiently emphasized in the previous year, and efficiency of non-priority programs/activities (Bappenas, 2016).

The budgeting paradigm is actually quite effective. This is because budgeting is carried out through three approaches, which are holistic-thematic, integrated, and spatial approach (Lestari, Suryono, & Domai, 2018). A holistic-thematic approach, emphasizing the achievement of priority targets from work units/other work units, must coordinate with multiple work units. Second, the integrative approach, which emphasizes in development, must be done in an integrated way. Third, the spatial approach, emphasizes infrastructure development, must consider the integration with other infrastructure. Thus, in this paradigm, one priority program can be supported by more than one work unit. This is different from the money follows

function approach which emphasizes that budget allocation must be based on the function of each unit in government organizations.

The concept of the money follows function aims to build an effective and efficient budgeting concept and maintains fiscal sustainability through efforts to improve quality spending. In the money follows function concept, it does not necessarily divide the budget among all units/organizations equally, but there is still an assessment process for the proposed program/activity to be proposed by each unit/organization. The assessment concerns whether the proposed program/activity is included in the priority process that must be funded or not and how it contributes and impacts on development implementation. Whereas, in the money follows program concept it is emphasized that there is a need for a budgeting approach based on the priority of the program/activity under the objectives set by the government, where the program/activity is said to have a high priority if it provides great benefits to the people (Ningsih, Wirahadi, & Fontanella, 2018). As in Table 1, it can be seen the differences between the money follow program-based budgeting planning with the money

follow function in terms of budget allocation, allocation planning, and budget execution.

Implementation of Restructuring Program Based On Money Follow Program

In the preparation of regional development planning and budgeting, the principle of the money follows program has been used, which is the principle in the Preparation of Regional Revenue and Expenditure Plan (Rencana Anggaran Pendapatan dan Belanja Daerah, RAPBD). In the money follows program, a budgeting approach focuses more on programs/activities that directly relate to national/regional priorities and have a direct impact on society to achieve national development goals (Wasono & Maulana, 2018). The implementation of the money follow program is seen from the aspects, those are securing allocations to priorities, reallocation of program activities that have been sufficiently emphasized in previous years, and efficiency of non-priority programs/activities.

West Sumatra, West Java, and Yogyakarta provinces have implemented the money follow program principle in the preparation of RAPBD in their respective regions. Besides,

Table 1. The difference between Money Follow Function and Money Follow Program

Description	Money Follow Function	Money Follow Program
Allocation planning	Starting from identifying the needs of ministries/agencies - Implementation of duty and function - Priority support	Starting from determining the priority program to be lowered to the relevant K/L
Budget Allocation	Rigid, because of the separation of the organization with its respective goals	It is easier to conduct because it is aimed at achieving program goals
Budget execution	- The person in charge is in each unit - Potentially not integrated with each other (policies, indications, spatial location and development sequence)	- Policies are easier to integrate because of the controls are on priority programs - Can be appointed person in charge of cross-unit activities.

Source: Bappenas (2016)

knowledge related to the principle of the money follows program are varying from region to region. The money follows program policy yet does not have legal force, but the Provinces of West Sumatra, West Java, and Yogyakarta have implemented it. This is because this policy is a direction from the president and an emphasis from both the National Development Planning Agency (Badan Perencanaan Pembangunan Nasional, Bappenas) and the Ministry of Home Affairs so that the local governments apply the money follows program policy in the preparation of planning and budgeting for 2017.

The money follows program is also the basis for performance appraisal which emphasizes quality. Yogyakarta Province, for example, implemented it as the basis of awareness to achieve development targets. The principle of the money follows program is that the budget must be used to carry out useful development programs and become a priority to answer the problems faced. For this reason, Yogyakarta received an award for the success of compiling and presenting the 2016 Financial Statement with the highest standard achievement from the Ministry of Finance of the Republic of Indonesia. The preparation of the RKPD will always be linked to the RKP, wherein the preparation of the 2017 RKP, the government has implemented the principle of the money follows program. This is the basis for the local governments in implementing the money follows program policies in preparing regional development planning and budgeting. In addition, synchronization of planning and budgeting at the central and regional levels must be carried out.

West Sumatra Province

West Sumatra Province has implemented the preparation of programs and activities based on the money follows program. The results of field observations also indicated that the socialization of the money follows program policy had often been discussed in meetings. In the implementation of the money follows program principle, program proposals are based on regional priority programs contained in the 2016-2021 RPJMD. The procedures for preparing programs, and activities are clearer by referring to program indicators in RPJMD and Regional Government Agency (Organisasi Perangkat Daerah, OPD) strategic plans. Officials from the Research and Development Agency and the Public Works Agency expressed the same thing regarding the program proposal procedure. Besides, program planning is also more effective in terms of time since it is faster. Moreover, the money follows program policy is easier to implement because budgeting is more precise and accurate in the calculation.

The mindset changing is indeed an obstacle for West Sumatra Province. The old mindset is slowly changing itself, and now it is already based on priority programs. One of the difficulties in applying the money follow program approach is synchronizing national and regional priority. In the national priority, there is a food security program, and it is an obligatory affair to support food security which needs support from agriculture, while agriculture is not a mandatory affair but a choice. Thus, the absence of synchronization between national priorities and mandatory functions creates difficulties in budgeting (Matondang, Basri, & Arfan, 2015).

The implementation of the money follows program policy is also inseparable from the efficiency in the use of resources owned by the regions, namely human resources, assets, and technology. The number of human resources required to implement this policy is still insufficient. This becomes a problem in almost every government agency, although from a quality perspective it is already good. The limited human resource planners make the team have to work harder than before. In

addition to the limited number of human resources, there are also limited funds to support priority programs.

The facilities and infrastructure are quite good, equipped with several computers and laptops that support the process of entering the e-planning application. However, it is often constrained by the network and internet connection. The implementation of the money follow program policy has utilized technology, namely the use of the e-planning and *e-musrenbang Sakatoplan* applications for submitting proposals to the central government. The use of these applications still requires human resources for its implementation because applications only help to make planning more transparent and systematic. The West Sumatra provincial government considers that the socialization of program formulation and activities based on the money follows program from the central government currently is still lacking, especially concerning the policy orientation of the central government and the regional planning system. Time constraints and inadequate socialization to the regions are the causes of problematic regional compilation.

West Java Province

Based on the results of field observations, West Java Province already knows and implements the money follow program policy in the preparation of regional development planning and budgeting documents. Although, there is no legal basis and specific socialization related to the money follow program principle. The leading sector in implementing the money follows program in West Java Province is Bappeda. In this case, Bappeda determines that each activity must be based on a Multi-Party Action Plan for the Implementation of the Package (Rencana Aksi Multipihak Implementasi Pekerjaan), in which several OPD carry out an activity.

The implementation of the money follow program in West Java prioritizes priority programs and the efficiency of non-priority programs. The determination of the regional priority program is based on the vision and mission of the regional head as outlined in the 2013-2018 RPJMD of West Java Province. For regional priority programs, the governor has set priority programs, then each OPD proposes detailed activities based on regional priority programs. Yet, in its implementation, not all OPDs get the same budget. The budget given depends on the proposed programs and activities. The OPD budget will be larger if the proposed programs and activities lead to regional priority programs compare to OPDs that do not implement priority programs. The principle is to secure allocations for priority programs and make efficiency for non-priority programs. The budget is still given for non-priority activities/routine activities, but the budget is not as big as the regional priority programs.

There are three sub-indicators used to see the linearity of the policy in the implementation of the money follow program policy, those are procedure, time, and implementation (Deda, Karamoy, & Gamaliel, 2017). The procedure for applying the money follow program principle is to determine priority programs, priority activities, and program activities for regional and cross-regional apparatuses. Determining regional priority programs cannot be separated from the national priority programs.

The procedure or mechanism in planning and budgeting based on the money follow program policy in West Java Province is implemented under the mandate of Law Number 25 of 2004 concerning National Development Planning System (Sistem Perencanaan Pembangunan Nasional, Sisrenbangnas) and Local Government Regulation Number 6 of 2009 on Regional Deve-

lopment Planning System (Sistem Perencanaan Pembangunan Daerah, Sisrenbangda). Meanwhile, budgeting follows the mandate of Law Number 17 of 2003 concerning State Finances, meaning that there has been no change in the mechanism but the approach has changed from the money follow function to the money follows program. All OPD can propose programs and activities according to predetermined pathways/ forums and are discussed through the Community Consultations on Development Planning (Musyawarah Perencanaan Pembangunan, Musrenbang). The proposed programs and activities are verified concerning regional priority programs and budget capacity.

The implementation of money follow program has resulted a clear and concrete activity program. All proposed programs and activities have been directed to priority programs and there is a division of roles in each ministry and agencies. Formulation of programs and activities based on the principle of money follow program clearly will be more effective and efficient because it prioritizes priority objectivity, so that it is clearer and more measurable for achieving development goals. The principle of the money follow program is a new principle and its implementation requires a process because changing mindsets is not easy. In its implementation, all parties feel the impact, especially the OPDs that handle priority programs and the amount of budget allocated to them. They will get benefit greatly and receive a larger portion of the budget and allocation of resources. Therefore, if it is utilized properly, it will have an impact on the achievement of the target program indicators. However, there were several OPDs that experienced regional prioritization by Bappeda which tended to be top-down planning, even though the determination of activities was a proposal from the OPD but could not be separated from the priority program.

The preparation of programs and activities using the money follows program principle requires a shorter period of time. Bappeda stated that because stakeholders have been directed to fit the predetermined priority programs, there will be less debate and discussion will be more effective. The preparation of regional development planning often takes extra time when determining programs and activities. However, by using the money follow program principle, each OPD understands that the direction of program planning and activities has been directed to support priority programs. Thus, OPD that proposes activities outside the regional priorities will receive a small budget, and those that support priority programs will receive a large budget. The same understanding will be able to shorten the time it takes.

Apart from that, there is an efficiency in terms of time, since the use of money follow the program as well as in the preparation of the plan have been using the IT system known as RKPD online. Each proposed program and activity must refer to the area indicators already in the system, and accelerate the process of program and activity input. Utilization of IT in planning preparation cannot drastically reduce the number of human resources required, because offline processes are still needed.

Although the number of activities decreased a lot after the implementation of the money follows program, the budget was not changing in 2017. The amount of budget needed was Rp12,821,231,139,000.00 while in 2018 the budget was Rp15,835,222,613,594.00. The focus of the program in the money follow program is on priority programs, and to support the priority programs a fairly large budget is needed. This occurs because activities reduced are routine activities with small outputs, where the budget is transferred to support priority programs. The budget available to support priority programs is greatly

helped by sharing funding through both the government and the private sector, particularly for strategic programs/activities at the national and international levels.

Yogyakarta Province

Yogyakarta Province also has implemented the principle of the money follow program in the preparation of regional development planning and budgeting. Although it does not have any legal basis related to the money follow program policy, Yogyakarta Province has started in 2015 and fully implemented it in 2016. The regional development planning approach with the regional priority program approach is in line with the RKP.

The implementation of the money follow program in Yogyakarta Province is based on the demand to get good scores for the preparation of the Performance Accountability Report of the Government Agency (Laporan Akuntabilitas Kinerja Instansi Pemerintahan, LAKIP). In line with these demands, Yogyakarta Province strives for measurable performance indicators and good accountability. In performance-based budgeting, performance targets performance measurements, supporting data sources, and measuring tools must be clear. In addition, there is a relationship between vision and mission, goals, performance targets and accountability. Yogyakarta Province initially made changes to planning and budgeting in its regions, and the methods used were in line with the principle/concept of the money follow program.

The difference between the money follow function and the money follow program is that the money follow function is more about the financing function in the organizational structure, where financing is a structure that has been formed to produce. This is because basically the existing functions are structured to be important. Each OPD is an important element and has a performance target, this makes it less focused on development targets. On the positive side it is stable (no fluctuation occurs) because all structures receive a budget. This approach makes it different from the money follows program.

First, the money follows program approach has an impact on institutions (vision-driven organization). The theme for the development in RKP is an important part of the preparation of the RKPD document in Yogyakarta Province. RKPD is formed based on RPJMD and refers to RPJMN. Alignment of regional development programs and activities at the Yogyakarta Province with development priorities at the national level is carried out by referring to RKPD in RPJMN according to the relevant stages.

There are nine priority programs in Yogyakarta Province, and they cannot be balanced because there are several functions that do not work. Implementation of the money follow program and concurrency in law is not appropriate. For example in Yogyakarta Province, the organizational structure still used the old one, then there was a change of authority, where the management of air transportation became the central authority, while the budget was still given to the regional government. The implementation of the money follow program is not that simple, there are several aspects that must be considered, including administrative and institutional aspects. Institutional aspects since the enactment of Government Regulation Number 18 of 2016 concerning Regional Apparatus regulate typology for each OPD, namely typology A to C. If this is linked to the money follow program, many things will not match, therefore the strategy must be prepared and implemented. For Yogyakarta Province, it does not have to apply Government Regulation Number 18 of 2016 since it is a special region.

The implementation of the money follows program makes clearer and concrete programs and activities. The consequence of implementing the money follow program approach is that many activities are eliminated, especially those that do not support regional priorities. Programs and activities with small outputs have been eliminated. For example FGD activities are replaced by building a "community" that guards a process. Reducing the number of activities or combined several activities is not an easy thing to do. This will indirectly affect people's perceptions because the affordability of speed in development will have a direct impact on society. It requires great effort and energy, also competent human resources, especially for OPDs that carry out regional priorities.

Planning implementation with the money follow program principle in Yogyakarta Province is to secure the allocation of priority development targets and the efficiency of non-priority programs/activities. Planning activities are adjusted to the previously prepared cascading. Proposed programs and activities are based on regional priority programs as stated in the RPJMD (Rosita, 2017). The depth of the program and priority activities each year becomes the governor's direction at the beginning of the preparation of the RKPD. Planning for programs and activities no longer considers the organizational structure up to echelon 4 but becomes a joint program/activity, and the program is implemented jointly with several OPDs for a wider scope.

The planning cascade implemented in the Yogyakarta Province is a derivative of the vision then becomes the mission, then elaborated into the goals and objectives of regional development. Next, this target is derived into regional development programs. This regional development program is a collection of priority programs (the basis of the money follow program) and cannot be separated

from the national priority program. These regional priority programs will be the strategic targets, programs (outcome) as well as OPD activities (output) of OPD. The planning cascade in Yogyakarta Province can be seen in Figure 1.

The planning and budgeting mechanism in Yogyakarta Province is adjusted to the cascading that has been prepared. Priority programs are prepared in advance by Bappeda which is an elaboration of the governor's vision and mission, then each OPD proposes activities according to the predetermined priority programs. Concerning budgeting, the largest budget is allocated for priority programs and activities, while the lesser budget is allocated for non-priority programs. After an OPD proposes activities to be combined at Bappeda to prepare a budget, there is a discussion with all OPDs results in a final draft which becomes a mutual agreement.

Supporting and Inhibiting Factors

Some of the obstacles faced by the regions in its implementation are the absence of a clear legal basis and guidelines regarding the money follow program approach. It makes each region has a different perception (Pranata, Irianto, & Adib, 2018). Regions also experience difficulties in determining regional priorities, especially if there are changes in regional heads with different visions and missions. In its implementation, the money follows program policy is considered to be easier in arranging activities because the program is predetermined. But according to OPD, the policy seems as if the planning is top-down.

Another obstacle is in determining regional priorities and their budgeting allocation planning. There is a perception of the implementation in the regions, that there is no difference in mechanisms for programming and
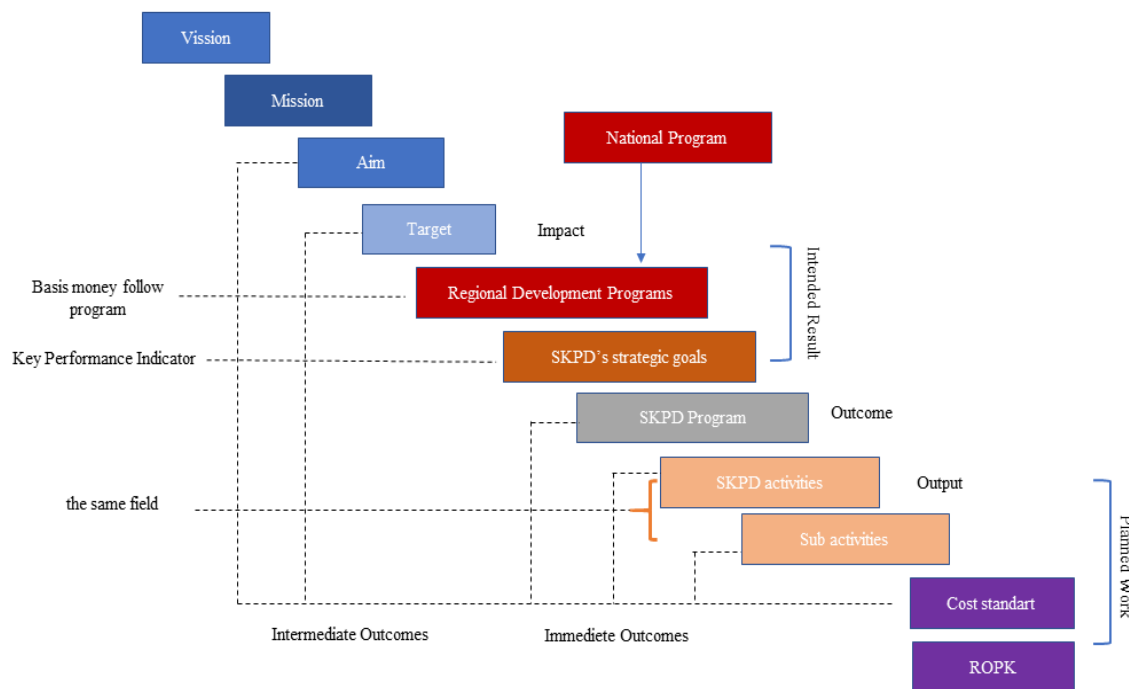
Figure 1. Planning Cascade in Yogyakarta Province
***Source**: (Sengguh DIY, 2019)*

activities using the money follow program approach. This is because since the money follows function approach applied, the regions have also set regional priorities, so there need to be guidelines regarding the mechanism for programming and activities using the money follow program approach. Not only guidelines but socialization are also needed so that they can be in line with the same perception.

Human Resources

Resources can be a supporting factor, but on the other hand, it can be a limiting factor (Ipsen, Gish, & Poulsen, 2015). The lack of human resources in West Sumatra Province, both implementing and planning human resources, is a factor that hinders the implementation of both planning and implementation of priority programs. In Yogyakarta Province, human resources support is very good, especially in terms of quality. Human

resources understanding in implementing the money follow program is quite good.

Changing the human resources mindset is not easy, especially changing the mindset of implementing OPDs that do not carry out priority programs. However, the money follows program policy is still very common in OPD (Katho, 2020; Nugroho, 2013), it is necessary to improve the quality of human resources in understanding the principles of the money follow program. For OPDs that carry out priority programs, it is not only the quality of human resources must be good, the quantity is also needed. This is due to the bigger the budget, the bigger role for the human resources required. However, the number of human resources is still lack in almost all OPDs.

On the other hand, the budget is still an obstacle for West Sumatra Province due to limited budgets for implementing priority programs. In the implementation of programs and activities in West Java Province,

the budget comes from the local government budget (Anggaran Pendapatan dan Belanja Daerah, APBD) and state budget (Anggaran Pendapatan dan Belanja Negara, APBN). However, this is still not sufficient, so the West Java Provincial Government also collaborates with the private sector in supporting the implementation of regional priority programs. The availability of a budget to support the implementation of programs and activities (money follow program) in West Java is greatly helped by sharing funding through both the government and the private sector, especially for strategic programs/activities at the national and international levels.

Policy Substance

The policy substance which is quite easy to understand also supports implementation. The preparation of programs and activities based on the principle of the money follow program will be more effective and efficient as it emphasizes regional priority programs. This makes it easier for the regions to determine the activities to be implemented so that programs and activities.

The preparation of activities in Yogyakarta Province is based on the previously arranged cascading to ease the preparation of activities. According to the three loci of study, the principle of the money follows program is easier to understand and can produce clear and concrete programs as well as efficient and effective. By using the money follow program principle where development priorities have been set, it will facilitate the preparation of development planning and budgeting.

Implementing Behavior

Strong commitment from all parties is needed to support policy implementation (Dietz, Dan, & Shwom, 2007). All stakeholders (Governor, DPRD/Regional House of Repre-

sentatives, and OPD) in West Sumatra, West Java, and Yogyakarta Provinces are committed to implementing the money follow program policy. Support from the regional head is needed because priority programs are a reflection of the governor's vision and mission. Besides, there also a need for support from the DPRD because planning and budgeting cannot be separated from the role of the DPRD. Likewise with the commitment from the OPD, because the OPD will carry out the activities. The commitment from the OPD is needed for the programs and activities that have been planned can be felt optimally by the community. In its implementation, all parties have been involved in planning (holistic-integrative-thematic-spatial), which is more participatory. The full commitment of the governor will give impact/change to OPD. The commitment of Yogyakarta's governor is very good, and the implementation of the money follow program principle is a direction from the governor, as well as the commitment from DPRD and OPD.

Network Interaction

Coordination between regional heads and DPRD also between OPDs in West Sumatra and West Java is very good because they understand each other's duties and functions (Esariti, Haulah, & Sunarti, 2019). This is one of the positive values that support the implementation of the money follows program. The implementation of programs and activities is not only carried out by one OPD, but it is also possible for one program to be carried out by several DPOs, so that good coordination is needed so that the program can run well and development targets can be achieved. One of the advantages of Yogyakarta is that the governor is not elected politically so that support for the political atmosphere is positive. Positive working relationships are created through good coordination between the governor and officials. All par-

ties have been involved in planning (holistic-integrative-thematic-spatial), are more participatory, and full of commitment from the governor.

CONCLUSION

Planning programs and activities in West Sumatra, West Java, and Yogyakarta Provinces have used the money follow program approach. However, the implementation is still different depending on the perception of each region in understanding it. In addition, there are still doubts from the regions in implementing it, because there is no legal basis yet. This program can only be seen in planning documents such as the RPJMD, RKPD, and Strategic Plans (Rencana Strategis, Renstra) of each OPD.

Furthermore, it is necessary to make adjustments to the policies of the Minister of Home Affairs related to guidelines for regional development planning and budget allocation. The government needs to consider the need for special rules regarding stages, procedures for formulating, controlling, and evaluating the implementation of regional development plans. Concretely, the central government also needs to encourage the completion of regulatory revisions related to the balance of central and regional finances, one of which is the substance of regulations related to the administration of money following a function-based budgeting system. Besides, it is needed to encourage ministries/agencies to make adjustments to regulations regarding norms, standards, procedures, and criteria to accommodate the money follow program in the planning and budgeting aspects of related ministries/agencies. On the other hand, the central government needs to issue guidelines for the implementation of planning and budgeting using the money follow program approach. Institutions such as Bappenas also need to conduct regular socialization related

to planning and budgeting using the money follow program approach. Finally, it is necessary to hold training for human resource planners in the regions related to planning and budgeting arrangements using the mo-ney follow program approach.

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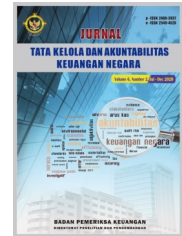
ARE LOCAL GOVERNMENTS OVERCONFIDENT WITH THE EFFECT OF BUDGET FORECAST ERRORS ON BUDGET DEVIATION?

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ABSTRACT

This study aims to examine the effect of budget forecast errors on budget deviations moderated by local governments' overconfidence. The research sample used regency/city governments in Indonesia during the 2017-2019 period. The analysis tool uses Eviews version 10 and SPSS version 22. The results showed that budget forecast errors had a positive and significant effect on budget deviation, but the local government's overconfidence cannot cause an effect of budget forecast errors on the budget deviation. Additional test results of this study also showed that regency/city governments who were overconfident tend to fail in controlling their budget which could cause a surplus or deficit compared to local governments that were not overconfident. The same conditions apply to budget forecast errors. This means that regency/city governments that are overconfident tend to estimate budgets that are too high for revenue and/or budget estimates that are too low for expenditure compared to local governments that are not overconfident. Consistent with the main test results, this study shows that budget forecast errors have a significant effect on budget deviation and tend to occur in the Central Indonesian region category. Furthermore, overconfident regency/city governments cannot moderate the effect of budget forecast errors on budget deviations. Finally, these findings indicate that there is no difference between the budget forecast errors and the budget deviation in the three categories of western, central, and eastern Indonesia.

KEYWORDS:
Budget forecast errors; local government overconfidence; budget deviation

INTRODUCTION

A budget is an organization's financial planning for the future that contains the goals and actions needed by the organization in achieving these goals and generally covers a period of one year. This budget is translated into more concrete financial programs and plans and used by the organization to achieve organizational goals. Ratmono and Sholihin (2017) explain that a budget as a public policy statement, fiscal target, and as a means of control has an important influence in financial accounting and reporting. This condition occurs because the budget is a fiscal target that describes the balance between expenditure, revenue, and desired financing, public policy statements, a control base that has legal consequences, a basis for evaluating government performance, and the results of budget realization are outlined in government financial reports as a statement of the government's responsibility to the public. However, the budget and budget realization carried out by the government has limitations in measuring performance. This condition can occur because one of the measures of government performance is through an assessment of the effectiveness of budget realization, not only through financial figures, but also through the outcomes, benefits, and impact of budget realization for the community.

Hansen and Mowen (2009) describe that budget has four important benefits, namely (1) forcing executives to plan, (2) providing information that can be used to improve decision making, (3) providing performance evaluation standards, and (4) improving communication and coordination. Budget planning consists of budget policy formulation, namely the preparation of local government budget (Anggaran Pendapatan dan Belanja Daerah, APBD) direction and general policies as the basis for operational planning, and budget operational planning, such as the preparation of activity plans and resource allocation (Mahsun, 2013). Furthermore, Mahsun (2013) explains that at the budget execution stage there is a possibility of budget changes in the budget period and these changes are made in connection with strategic regional government policies, adjustments as a result of not achieving the set regional revenue targets, and urgent needs. These budget changes will then be discussed together with the regional House of Representatives (Dewan Perwakilan Rakyat Daerah, DPRD) and subsequently outlined in the direction and general policy of the APBD along with the changes in the strategy and priorities of the APBD. These two changes are stipulated by the regional head as a guideline for regional apparatus in preparing programs and budget changes.

Herianti (2019) specifies that the main issue of the budget planning process and budget execution is a budget deviation which is defined as a condition that indicates the failure of the government to control the budget which can cause a deficit or surplus. Several important issues of a budget deficit that have taken place in regency/city governments in Indonesia during the last two years, for example, the budget deficit of Rp900 billion in the Bekasi city government in 2018. This budget deficit eventuated because of high government expenditure without taking regional revenue into account. Besides, in 2019 there was a budget deficit in the city government of Bandung which almost reached Rp609 billion. Such budget deficit occurred as local revenues had not reached optimal levels and unspent funds at end of the fiscal year (Sisa Lebih Penggunaan Anggaran, SILPA) was not as predicted. This condition has resulted in the city government of Bandung making direct expenditure efficient and encouraging increased regional revenue and retribution. The same condition also occurred in the West Bandung regency government which experienced a deficit of Rp73

billion. This budget deficit eventuated because the revenue from land and building taxes was not achieved due to the new adjustment policy on the taxable value of the property (Nilai Jual Objek Pajak, NJOP) set by the government which affected the psychology of taxpayers. After all, taxpayers are not ready for the tax increases.

Johansson and Siverbo (2014) explain that in several countries in the world when there is a budget deficit, sanctions will be imposed. The budget deficit phenomenon that happens in regency/city governments does not only show that the government has failed to plan, implement, and control the budget. However, the budget surplus phenomenon also shows the same condition. When there is a budget surplus it shows that (1) the government is not obedient in implementing the previously planned budget. This condition is because the budget is determined politically between the government and the House of Representatives (Dewan Perwakilan Rakyat/Dewan Perwakilan Rakyat Daerah, DPR/DPRD), (2) the inability of the government to plan, implement and control the budget, and (3) the failure of the government to improve public welfare which can become the spotlight of the mass media. This condition is due to the characteristics of public service-oriented public sector organizations that allow budgets to be managed efficiently, effectively, and economically, to achieve budget balance. The balance of the budget while still taking into account the accuracy of budget realization and good budget absorption allows an increase in public welfare.

The phenomena of budget deficits and surpluses that took place in several regency/city governments throughout Indonesia indicate that the government has experienced a budget deviation. One of the important factors that play a role in influencing the occurrence of budget deviation is the budget forecast errors. Budget forecast errors indicate the government's tendency to increase estimated revenue and reduce expenditure estimates (Patty, 2019), or the condition of budget forecast that is too high or otherwise too low (Rodgers & Joyce, 1996). Budget forecast analysis has an important role in economic policy (Boukari & Veiga, 2018; Auerbach, 1999). This condition can occur because the budget forecast is a budget plan based on the various potential sources belonged to an organization. Revenue estimates that are too high can lead to shortcuts in the provision of public goods that have the potential to reduce public welfare. This means that when the government forecast a budget that is too optimistic, it has the potential to reduce public welfare in conditions of not achieving budget execution. This condition shows that the government has experienced an error in forecasting the budget. Jonung, Larch, Favero, and Martin (2006) revealed that budget forecast errors had contributed to an increase in structural deficits in European countries.

The forecast revenue budget that is too high and/or the expenditure budget that is too low at the regional level can increase the amount of debt, thereby reducing public welfare due to the interest burden borne by the government. Dubois (2016) explains that in the budget cycle theory, the budget is used as a means of government politics to the public. This condition occurs because the government tries to increase public trust through budget accountability. Accountability of government budgets to the public tends to not achieve budget balance but rather budget deficits or surpluses as a representation of budget deviations that have the potential to reduce public welfare. Budget deficits and surpluses indicate the existence of information asymmetry between the government and the public. This means that the government has excessive information compared to the public so that the government can take

advantage of this excessive information to fulfill its interests. The government has more access to information related to the resources it has for the planning, implementation, and even budget control processes, while the public has limited access to potential resources.

Ariffianto and Adhariani (2018) explain that budgeting behavior is based on personal interests to avoid the risk of uncertainty or inability to predict future budgets. These personal interests are not only owned by the government, but also by regional representatives. The consequence is the potential for the estimated revenue budget that is too high and/or the expenditure budget that is too low at the regional level, thus affecting the occurrence of budget deviations. Patty (2019) describes that when the government incorrectly forecasts the budget, the budget deviation will be high. The optimism of the government in forecasting the revenue budget that is too high and/or the forecasting of the expenditure budget that is too low triggers budget variance. This condition results in the government being inaccurate in implementing public policies, thereby reducing the level of public welfare.

The appearance of budget forecast errors on budget deviation is reinforced by the existence of the government's overconfidence. Mofsinger (2010) explains that overconfidence is an excessive trust that makes individuals overestimate their knowledge and underestimate predictions made because individuals overestimate their abilities. The consequence is that the individual will bear a greater risk in the decision-making process. Overconfidence is a type of cognitive bias that leads to forecast errors because individuals feel they know, so they can analyze correctly, but in reality, it is not the case. The overconfidence literature on public sector organizations that focuses on financial data is still of limited use by various researchers.

This condition is caused by the difficulty of measuring overconfidence. Previous literature tends to focus on public companies to assess the overconfidence of managers and investors in decision-making. Therefore, this study is important to detect errors in the budget forecast in influencing budget deviations which are strengthened by the government's overconfidence.

The issue of overconfidence is still popular among financial behavior research (Huang, Jiang, Liu, & Zhang, 2011; Koo & Yang, 2018; Yang & Kim, 2020). This condition is because overconfidence can influence the bias of individual decision making which has an impact on their level of prosperity. In public sector organizations, local governments have overconfidence because they feel they have excessive knowledge of access to resources they have in the planning, implementation, and even budget control processes that can influence decision making. This knowledge is used as the basis for the budget planning process through to budget execution. Local governments are said to experience overconfidence when there is a residue between budget growth and growth in budget realization. This means that the local government considers that budget planning based on its knowledge sources is capable of achieving budget realization, but this is not always the case. The estimated residual value between budget growth and budget realization growth that is more than zero indicates that local governments tend to be overconfident in budget planning.

Local government's overconfidence in budget preparation can strengthen the occurrence of budget forecast errors against budget deviations. This condition can occur because the overconfident government tends to perform an error in estimating the potential budget proposed. After all, it depends on its irrational beliefs. This means that the government is optimistic in planning the bud-

get that budget realization will be achieved. When this cognitive bias is manifested in local governments, they show too much confidence in the presence of a budget deficit or surplus. Yang and Kim (2020) explain that if managers who have overconfidence invest excessively based on a biased optimistic view, their company's internal funds are likely to run out quickly. Individuals who have overconfidence tend to view that such risk is low compared to individuals who do not have overconfidence (Kartini & Nugraha, 2015).

Based on the description of the research background above, the formulation of the research problem is whether the budget forecast errors affect budget deviation moderated by the local government's overconfidence? Thus, this study aims to examine and analyze the effect of budget forecast errors on budget deviation moderated by the local government's overconfidence.

Budget Forecast Errors and Budget Deviation

The principle of accountability has been widely applied in public sector organizations to achieve good governance. To minimize and narrow the opportunities for irregularities to occur and it is the obligation of the community to participate in conducting supervision (Dwiharja & Kurrohman, 2013). One important aspect of accountability by public sector organizations is financial accountability. Surjono and Firdaus (2017) explain that financial accountability is related to financial integrity, disclosure, and compliance with laws and regulations. Financial integrity is related to the relationship or match between accounting numbers and descriptions also their sources. Disclosures are concerned with the design and presentation of financial reports as a collection of snapshots of economic events affecting public sector organizations for a period and contain sufficient information. Compliance with laws and regulations relates to financial reports prepared and published by public sector organizations per statutory provisions.

Organizations need a budget as a form of future financial planning that comprises of goals and actions needed by the organization in achieving organizational goals. In general, the organization's budget covers a period of one year and is expressed in monetary units (Mahsun, 2013). The important issue of budget deficits and surpluses shows that the government is experiencing a budget deviation. An important factor that motivates budget deviation is budget forecast error. Patty (2019) explains that budget forecast errors happen when the government makes high revenues and low expenditure estimates. The same condition was also explained by Rodgers and Joyce (1996) that the budget forecast errors occur because the government either overestimate or underestimate the expenditure of the budget. Overestimated revenue budgets and/or underestimated budgets at the regional level can increase the amount of debt. The consequence is that the government will pay an interest expense that can reduce public welfare. This means that the budget that should be used to meet the public interest is reduced because the government needs to pay interest expenses as a result of the government's failure in estimating the budget.

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H1: Budget forecast error has a positive effect on the budget deviation.

Budget Forecast Errors, Overconfidence, and Budget Deviation

Previous literature examining overconfidence in the context of public sector organizations are limited. The importance of research related to overconfidence is motivated by individual psychological factors in making decisions that involve irrational behavior. The consequence is decision-making bias that has an impact on reducing individual welfare. In public sector organizations, local governments have overconfidence because they feel that they have excessive knowledge of access to resources they have in planning, implementation, and even budget control processes that can influence decision making. This knowledge is used as the basis for the budget planning process through to budget execution.

Budget forecast errors, overconfidence, and budget deviation represent the presence of information asymmetry. Jensen and Meckling (1976) explain that information asymmetry occurs because agents have more access to information than principals. In the context of public sector organizations, the agent is the local government and the principal is the community or the public. Local governments as agents have more access to information than the public, therefore local governments are aware of the various changes that have occurred in the budget and the instability of resources for budgeting (Patty, 2019). Ariffianto and Adhariani (2018) explain that budgeting behavior is based on personal interests to avoid the risk of uncertainty or inability to predict future budgets. These personal interests are not only owned by the government, but also by regional representatives. As a result, there will be potential revenue budget estimates that are too high and/or budget that is too low at the regional level, thus affecting the occurrence of budget deviations.

Auerbach (1999) states that the revenue forecast is an important input in designing fiscal policy, and the revenue forecast can reduce people's welfare. Repeated high estimates of revenue and/or underestimation of expenditure at the regional level indicate irrational behavior of the government in budget planning. This irrational behavior arises because the government considers that they have more ability to access information, thus ignoring the accuracy of local revenue sources. Ultimately, the increase in public welfare is reduced. Based on this description, the researcher proposes the following hypothesis.

H2: Overconfidence has a positive effect on the relation of budget forecast errors with budget deviation.

Based on the description of the hypothesis above, the visualization of this research model is presented in Figure 1.
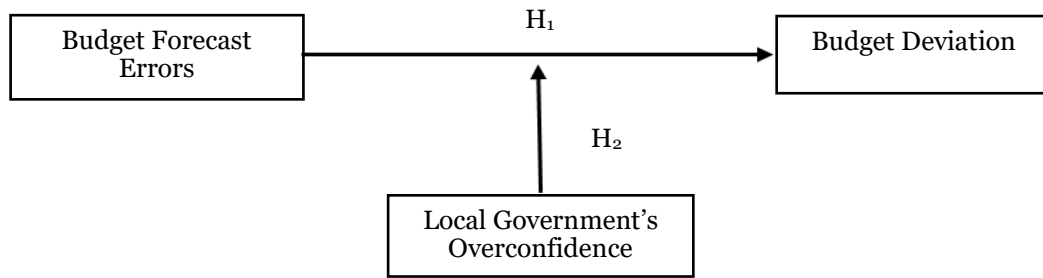
Figure 1. Research Model

RESEARCH METHOD

The author used local government regencies/cities throughout Indonesia as research samples through the purposive sampling method. The data used in this study are budget reports and budget realization of all regency/city governments in Indonesia which are obtained through the website www.djpk.go.id. The number of samples in this study was 1,524 namely 508 regency/city governments who uploaded budget reports and budget realization on the Directorate General of Fiscal Balance (Direktorat Jenderal Perimbangan Keuangan, DJPK) website during 2017-2019.

The variables of the budget forecast error, the overconfidence of regency/city government, and the budget deviation were used by researchers in this study. To be clearer regarding the use of these three variables, the operational definition, and measurement of the variables are presented in Table 1.

The ordinary least square (OLS) approach was used by researchers to test the research hypothesis. Therefore, researchers need to perform some classical assumption tests as a condition for using OLS. The aim is to minimize residuals to reduce bias in conclusions. In other words, the classical assumption test

Table 1. Operational Definition and Variables Measure

Definition	Measure	Scale
Budget Forecast Errors (BFE) The estimated revenue budget that is too high and/or the estimated budget expenditure is too low (Patty, 2019)	$BFE = \dfrac{\left(\frac{Actual\ Revenue}{Actual\ Expenditure}\right) - \left(\frac{Budget\ Revenue}{Budget\ Expenditure}\right)}{\left(\frac{Actual\ Revenue}{Actual\ Expenditure}\right)}$	Ratio
Local Government Overconfidence (LGO) Excessive trust makes individuals overestimate their knowledge and underestimate predictions because individuals overestimate their abilities (Mofsinger, 2010)	$Actual\ Revenue\ Growth = Budget\ Revenue\ Growth + e$ If the regression result residual > 0 indicates that the regency/city government is overconfident in formulating the budget and is given a value of 1, on the other hand, if the regression residual < 0 indicates that the regency/city government are not overconfident in formulating their budget.	Ordinal (Dummy)
Budget Deviation (BDV) A condition that indicates the failure of the local government to control the budget which can lead to underspending or overspending of the budget (Herianti, 2019)	$BDV = \dfrac{Budget\ Cost - Actual\ Cost}{Actual\ Cost}$	Ratio

Source: Yang & Kim (2020), Herianti (2019), Patty (2019), Boukari & Veiga (2018); Wirasedana et al.(2018), Yang & Zhang (2017), Johanson & Siverbo (2014), Mofsinger (2010), Malmendier & Tate (2005).

aims to obtain BLUE (Best Linear Unbiased Estimator) research results. The classic assumption tests used by the researchers were the heteroscedasticity and autocorrelation tests, while the normality and multicollinearity tests were not used by the researchers. This condition is based on the number of observations of the sample of this study that have met or exceeded the requirements for the use of regression as described in the central limit theory, so the normality test is not mandatory for researchers (Gujarati & Porter, 2009). Furthermore, the multicollinearity test is not used by researchers because it is not directly related to the residuals, therefore the data is still BLUE (Gujarati & Porter, 2009; Widarjono, 2016). The author use White's Heteroscedasticity-consistent variance and standard error to correct the parameter values obtained by the ordinary least square method and the output can be directly used by researchers as the final result of hypothesis testing because the heteroscedasticity problem has been corrected (Ghozali & Ratmono, 2017). Data does not have autocorrelation when the DW value range is 1.54-2.46 (Winarno, 2015).

RESULT AND DISCUSSION

Descriptive statistics aim to provide an overview or description of data seen from the mean and standard deviation. Table 2 presents the statistical descriptions of each variable. The number of observations obtained is 1,524 from the total sample of regency/city governments per year is 508 and calculated based on the three years of research, namely from 2017 to 2019. The mean value of the budget deviation variable is 0.987 which demonstrates that regency/city governments have failed in controlling their budget which can cause a surplus or deficit with a data variability of 4.516. The mean budget error value of 0.150 indicates that regency/city governments have budget forecast errors that

are too high for revenue and/or budget estimates that are too low for expenditures with a data variability of 0.171. The local overconfidence value of 0.415 indicates that regency/city governments are overconfident in setting budgets and realizing the budget with a data variability of 0.492.

Table 2. Descriptive Statistics

Variables	N	Mean	Std. Deviation
BDV	1,524	0.987	4.516
BFE	1,524	0.150	0.171
LGO	1,524	0.415	0.492

The correlation values between the research variables are shown in Table 3. Correlation shows a close relationship between the research variables. The higher the correlation value, the stronger the relationship between the research variables. The strong correlation value is between budget forecast errors and budget deviation. The strong correlation between the two variables shows that the higher the budget forecast errors, the higher the budget deviation that occurs in regency/city governments. Furthermore, the second strong correlation value occurs between the overconfidence variable and the budget forecast errors. This condition shows that when local governments are overconfident in planning the budget, the budget forecast errors will be even higher.

Table 3. Correlation of each Variable

Variables	BDV	BFE	LGO
BDV	1.000		
BFE	0.373	1.000	
LGO	0.058	0.241	1.000

The hypothesis test results are shown in Table 4. The first hypothesis, H1, explained that budget forecast errors had a positive effect on budget deviation. Meanwhile, H2 explained the effect of overconfidence on the relationship between budget forecast errors

and budget deviations. The H1 test results indicate that the effect of budget forecast errors on budget deviation has a coefficient value of 9.865 and t-statistic of 3.278 at a significance level of < 1%. The results of this test indicate that the budget forecast errors have a positive and significant effect on budget deviation, thus H1 is supported. These results are in line with Jonung et al., (2006) and Patty (2019), the budget forecast errors increase the occurrence of budget deviations.

The H2 test results show that the effect of overconfidence on the relationship between budget forecast errors and budget deviation has a coefficient value of 5.861 and t-statistic of 0.914 at a significance level of > 1% and 5% even 10%. The results of this test indicate that overconfidence cannot moderate the effect of budget forecast errors on budget deviation so that H2 is not supported. Local governments that have overconfidence when preparing budgets are unable to strengthen the occurrence of budget forecast errors against budget deviations. This condition is due to the tendency of local governments to not use their irrational beliefs in formulating budgets due to the involvement of people's representatives

in budget discussions. This means that the government is optimistic in planning the budget and therefore, the budget realization will be achieved based on objective financial data without involving dominant psychological factors. Therefore, the budget formulation that involves people's representatives allows the government to act rationally in formulating the budget, hence irrational beliefs that have an impact on overconfidence are reduced.

The author conducted additional tests to complement the results of this study to obtain comprehensive results in answering research issues. The additional test consists of two parts, namely, test the difference in overconfidence in regency/city government regarding budget forecast errors and budget deviation shown in Appendix 1 and test the research hypothesis based on categories of geographic areas in Indonesia, namely western, central, and eastern Indonesia shown in Appendix 2. Table 5 shows that the highest mean budget deviation occurs when regency/city governments have overconfidence compared to when they are not overconfident. This condition indicates that when the

Table 4. Hypothesis Results

Independent Variables	H1 Least Square Method Dependent Variable: BDV		H2 Least Square Method Dependent Variable: BDV	
	Coef.	t-stat.	Coef.	t-stat.
BFE	9,865	3,278***	7,368	10,114***
LGO			-2,245	-1,214
BFE*LGO			5,861	0,914
Const.	-0,494	-1,416	-0,087	-1,216
R^2	0.139		0.152	
Adjusted R^2	0.138		0.150	
F-Stat.	246.864***		90.908***	
Durbin-Watson Stat.	2.000		2.000	
N	1,524		1,524	

Note: BDV (Budget Deviation), BFE (Budget Forecast Errors), LGO (Local Government Overconfidence), BFE*LGO (Interaction between Budget Forecast Errors, and Local Government Overconfidence). Free of autocorrelation based Winarno (2015) with the rule of thumb 1,54 to 2,46. Heteroskedasticity with white-hinkley (HC1) heteroskedasticity consistent standard errors and covariance. Sig. *, **, *** level 10%, 5%, 1%.

regency/city governments are overconfident in setting and realizing the budget, the tendency for budget deviation is higher than when local governments have overconfidence. The same condition also applies to budget forecast errors. When regency/city governments have overconfidence in setting and realizing the budget, there is a tendency for budget forecast errors to become higher than when local governments are not overconfident.

Table 6 shows that the results of the multi-

Table 5. Descriptive Statistics

Category	Mean	Std. Deviation	N
Budget Deviation (BDV)			
Overconfidence	1.303	6.737	633
No overconfidence	0.763	1.597	891
Budget Forecast Error (BFE)			
Overconfidence	0.199	0.175	633
No overconfidence	0.115	0.159	891

variate test aim to find out the differences between categories of regency/city governments that are overconfident or not overconfident related to budget forecast errors and budget deviations. The findings of this study indicate that there are differences between categories of regency/city governments that are overconfident or not overconfident related to budget forecast errors and budget deviations. This condition is shown by the significant Lawley-Hotelling trace value at the level < 1%. The author uses this value because there are two groups of dependent variables, namely budget forecast errors and budget deviation.

Table 6. Additional Results of Multivariate

Source	Statistic	F Statistic
Wilks' Lambda	0.941	48.086*** e
Pillai's Trace	0.059	48.086*** e
Lawley-Hotelling Trace	0.063	48.086*** e
Roy's Largest Root	0.063	48.086*** e

Table 7. Additional Results of Test Between Subjects Effect

Source	SS	Df	MS	F
Based on Overconfidence/not overconfidence				
BDV	107.978	1	107.978	5,309**
BFE	2.599	1	2.599	94,284***
Based on Geographic Area Category				
BDV	17.479	2	8.740	0.428
BFE	0.029	2	0.015	0.504

Table 7 shows the test of between-subject effects to test the different categories of regency/city governments are overconfident or are not overconfident related to budget forecast errors and budget deviation. The research findings show that there are different categories of regency/city governments that are overconfident or not overconfident related to budget forecast errors as indicated by the F-statistic value of 94.284 at the level < 1% and budget deviation indicated by the F-statistic value of 5.309 at the level < 1 %. If linked with Table 5, it can be seen that the highest mean value of budget deviation and budget estimate occurs when regency/city governments are overconfident compared to those that are not overconfident. This condition shows that when regency/city governments are overconfident in setting and realizing the budget, there is a tendency for more budget forecast errors and budget deviation to become higher compared to local governments that are not overconfident. Table 7 also shows the test of between-subject effects to examine differences in the categories of regency/city governments in western, eastern, and central Indonesia related to budget forecast errors and budget deviations. The findings of the study show that there are no differences in the categories of regency/city governments in the three regions related to budget forecast errors as indicated by the F-statistic value of 0.504 and

budget deviation indicated by the F-statistic value of 0.428.

The purpose of the multivariate test on the geographic area category was to find out the differences between the categories of regency/city governments in western, eastern, and central Indonesia regarding budget forecast errors and budget deviations. The findings of this study indicate that there is no difference between the categories of regency/city government in the three regions regarding budget forecast errors and budget deviations. This condition is indicated by the insignificant Lawley-Hotelling trace value at 1%, 5%, and 10% levels.

The additional results of geographic area category test results for western, central, and eastern Indonesia regions shown in Appendix 1 are consistent with the main test results. This condition can be seen through the results of the model I test for the three significant area categories at the level of < 1%. This means that the budget forecast error has a positive and significant effect on the budget deviation in the three regions. The Central Indonesia region has the most significant influence as indicated by the adjusted R2, which is 88.5% at the level of < 1% compared to the categories of eastern and western Indonesia. Furthermore, these findings also indicate that overconfidence cannot moderate the effect of budget forecast errors on the budget deviation. This condition indicates that regency/city governments are overconfident in setting and realizing budgets cannot affect the relationship between bud-get forecast errors and budget deviation.

Appendix 2 shows that the highest mean value of budget deviation occurs in the regency/city government category in the eastern Indonesia region, compared to the western and central regions of Indonesia. The same conditions apply to budget forecast errors. This condition shows that regency/city governments in eastern Indonesia have failed to control the budget which can cause a surplus or deficit which tends to be higher than regency/city governments in the western and central regions of Indonesia. Furthermore, regency/city governments in eastern Indonesia also have errors where budget estimates that are too high for revenue and/or budget estimates that are too low for expenditures tend to be higher than regency/city governments in western and central Indonesia.

Table 8 shows the results of the multiple comparison test through the Tukey test to detect the difference between the three categories of western, central, and eastern Indonesia related to budget forecast errors and budget deviations. These findings indicate that the three categories of western, central, and eastern Indonesia do not have significant differences concerning budget forecast errors and budget deviations. This condition is known through the average value of differences in budget forecast errors and budget deviations thawt are not too far apart between the three categories of regions, so they do not have a significant impact. This means that regency/city governments in the western, central, and eastern regions of Indonesia have no differences in controlling budgets which can cause a surplus or deficit and an error in the budget forecast that is too high

Tabel 8. Additional Results of Geographic Area Category (Multiple Comparison)

Region	Mean Difference	
	BDV	**BFE**
Western Indonesia vs Central Indonesia	0,090	0,005
Western Indonesia vs Eastern Indonesia	0,270	0,013
Central Indonesia vs Eastern Indonesia	0,361	0,007

for revenue and/or an underestimation of the budget for expenditure.

CONCLUSION

The findings of this study indicate that budget forecast errors have a positive and significant effect on budget deviation, and overconfidence cannot moderate the effect of budget forecast errors on the budget deviation. The findings of this study also show that regency/city governments that are overconfident tend to fail in controlling their budget which can cause a surplus or deficit compared to local governments that are not overconfident. The same conditions apply to budget forecast errors. This means that regency/city governments that are overconfident tend to overestimate budgets for revenue and/or underestimate budget for expenditure compared to local governments that are not overconfident. Consistent with the main test results, this study shows that budget forecast errors had a significant effect on budget deviation and tend to occur in the Central Indonesian region category. Furthermore, the overconfidence of regency/city governments cannot moderate the effect of budget forecast errors on budget deviations. Finally, these findings indicate that there is no difference between the budget forecast errors and the budget deviation in the three categories of western, central, and eastern Indonesia.

The contribution of this research to theory is that local government budgets are used as a political tool to increase public accountability, therefore it is consistent with the budget cycle theory. Accountability of government budgets to the public aims to increase public confidence that the government has worked under applicable regulations. The budget is outlined in financial planning as an instrument of local government to describe the future of public policies that will benefit the public to gain political support. Also, budget

planning to the budget execution stage tends to experience information asymmetry, therefore it is consistent with agency theory. This condition can occur because local governments have more access to the potential of human resources and use excess access to fulfill their interests, while the public is limited in accessing information. This condition can be identified by the existence of deficits and surpluses that occur in local governments. The result is that public welfare is reduced because the budget that should be used for the public interest is not properly absorbed.

The contribution of this study in methodology is the measurement of government overconfidence using secondary data in the context of public sector research allows researchers to modify the overconfidence measurement in the public sector context. The author adapted the research of Malmendier and Tate (2005), Yang and Zhang (2017), also Yang and Kim (2020) to measure overconfidence based on the regression results of asset growth on sales growth. The logic of this measurement is when the residual value of the regression results greater than zero indicates that the company manager has overconfidence. This condition is because company managers have confidence that asset growth will be able to increase sales growth. However, if there is a residual or difference between the actual data and the regression results, it shows that the manager has overconfidence because the asset growth rate is not able to achieve the sales growth rate. Using the same logic, the researcher modified the overconfidence measurement in the context of the public sector by regressing the growth of the revenue budget against the growth in revenue realization. That is, when the residual value of the regression results is greater than zero, it indicates that the local government has been overconfident. This condition is because local governments have confidence that budget growth will be able to

increase growth in realization. However, if there is a residual or difference between the actual data and the regression result data, it shows that the local government has overconfidence because the growth rate of the revenue budget is not able to achieve the growth rate of revenue realization.

The policy contribution of this research is (1) the priority of regency/city government programs must be able to respond to changes that occur in the future and be able to balance public interests and be accountable for the lives of its citizen. As a result of this lack of attention, it has a negative impact on budget forecast errors which can affect the occurrence of budget deviations. This phenomenon can be seen through the existence of budget deficit cases in several regency/city governments in Indonesia, and (2) regency/ city governments need to pay attention to underspending and overspending which shows the financial achievements of each sector or organizational unit in the local government. The process of assessing the difference between underspending and overspending requires clear Expenditure Analysis Standards (Standar Analisis Biaya, SAB), Performance Benchmarks and Cost Standards, and Minimum Service Standards (Standar Pelayanan Minimal, SPM) (Mahsun, 2013).

The author realizes that every study has its limitations. Therefore, the limitations of this study are (1) measuring overconfidence which is still difficult in public sector financial accounting literature, hence researchers only use measurements that refer to research modified by researchers according to the context of this study, and (2) the adjusted R2 value of Main hypothesis testing ranging from 11% -15% indicates that the variables used by researchers are only able to explain the phenomenon by 11% -15%. Therefore, the description of these two limitations provides an opportunity for further research to further explore the measurement of overconfidence

in public sector financial accounting, and use other variables that can affect budget deviation in answering research issues such as budget turbulence, measurement, performance based on value for money, local government skills, and other variables.

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APPENDICES

Appendix 1. Loading factor indicator value

Independent Variables	Western Indonesia Region				Central Indonesia Region				Eastern Indonesia Region			
	Model I Least Square Method Dependent Variable: BDV		Model II Least Square Method Dependent Variable: BDV		Model I Least Square Method Dependent Variable: BDV		Model II Least Square Method Dependent Variable: BDV		Model I Least Square Method Dependent Variable: BDV		Model II Least Square Method Dependent Variable: BDV	
	Coef.	t-stat.	Coef.	t-stat.	Coef.	t-stat.	Coef.	t-stat.	Coef.	t-stat.	Coef.	t-stat.
BFE	12,030	2,082**	6,033	9,818***	7,107	583,786***	7,387	39,396***	8,236	5,048***	8,880	4,150***
LGO			-2,183	-1,179			-0,207	-4,365***			-0,249	-0,915
BFE*LGO			11,955	1,095			-0,220	-0,838			-2,752	-1,211
Const.	-0,788	-1,167	-0,027	-0,340	-0,191	-8,371***	-0,129	-4,626***	-0,068	-0,365	0,048	0,189
R²	0,114		0,141		0,885		0,894		0,422		0,445	
Adjusted R²	0,113		0,138		0,885		0,893		0,419		0,436	
F-Stat.	114,672***		48,226***		3471,792***		1256,337***		136,964***		49,496***	
Durbin-Watson Stat.	2,000		2,014		1,505		1,592		1,854		1,801	
N	885		885		450		450		189		189	

Note: BDV (Budget Deviation), BFE (Budget Forecast Errors), LGO (Local Government Overconfidence), BFE*LGO (Interaction between Budget Forecast Errors and Local Government Overconfidence). Free of autocorrelation based Winarno (2015) with rule of thumb 1,54 to 2,46. Heteroskedasticity with white-hinkley (HC1) heteroskedasticity consistent standard errors and covariance. Sig. *, **, *** level 10%, 5%, 1%.

Appendix 2. Additional Results of Geographic Area Category (Descriptive Statistics)

Category	Mean	Std.Dev	N
BDV			
Western Indonesia Region	0,981	5,719	885
Central Indonesia Region	0,890	1,279	450
Eastern Indonesia Region	1,251	2,723	189
BFE			
Western Indonesia Region	0,147	0,161	885
Central Indonesia Region	0,152	0,169	450
Eastern Indonesia Region	0,160	0,215	189

THE AUDIT BOARD OF THE REPUBLIC OF INDONESIA'S OPINION: BETWEEN REGIONAL FINANCIAL PERFORMANCE AND PUBLIC WELFARE
(THE STUDY ON REGENCIES AND CITIES IN RIAU PROVINCE)

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ABSTRACT

This study aims to determine and analyze the influence of local government financial performance on public welfare with the opinion of The Audit Board of the Republic of Indonesia (BPK) as mediation. This study was quantitative using panel data of 12 regencies and cities in Riau Province. The secondary data used was local government financial performance data, public welfare data, and the opinion from BPK Riau Representative from 2014 to 2018. The data analysis tool used for the hypothesis testing was path analysis with the SEM-PLS approach. The result shows that local government financial performance has been positively and significantly correlated to the public welfare in the regencies and cities in Riau Province, but not significant to the BPK's opinion. Besides, the BPK's opinion also does not correlate to public welfare. These findings indicate that the opinion of BPK has not been able to verify the correlation between the local government's financial performance and public welfare. Thus, it cannot be a benchmark in predicting the public welfare level.

KEYWORDS:

Public welfare; financial performance; BPK's opinion

INTRODUCTION

The central and local governments must submit accountability reports in the form of financial statements as a concrete effort to realize good governance and increase transparency and accountability in government financial management. The report form of accountability for local government financial management for the one-year budget is in the form of Local Government Financial Statement (Laporan Pemeriksaan Keuangan Daerah, LKPD), consisting of the Budget Realization Report, Statement of Financial Position, Statement of Cash Flow, and Notes to Financial Statement. Public sector accounting practices undertaken by government agencies have gained much attention over the previous days. There is a greater demand for transparency and public accountability by public sector institutions (Mardiasmo, 2009). Local government's financial statements need to be audited to improve its quality of transparency and accountability. Besides, the information in the financial reporting presented must meet the qualitative characteristics, so it can be used in decision making (Siregar, 2012).

The information in the financial statements must be presented reasonably based on the generally accepted accounting principles In order to fulfill the qualitative characteristics. Therefore, it is necessary to validate the financial statements that are intended to assess the fairness of financial statements based on the general accounting principles in Indonesia (Akbar & Mar'aini, 2020). Independent auditors are required to assess the quality of financial statements presented by local governments. Independent auditors assessing the quality of LKPD in Indonesia's government system is The Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan, BPK). BPK is a free and independent state agency in examining the state's financial management and responsibilities (BPK RI, 2017). The result of the financial examination conducted by BPK is in the form of the audit opinion, audit finding, audit conclusions, as well as recommendations in the Semester Audit Summary (Ikhtisar Hasil Pemeriksaan Semester, IHPS) as stated in Article 2, Law Number 15 of 2006.

Local government financial statements audit aims to provide certainty whether the financial statements have been presented fairly per generally accepted accounting principles. The remediation efforts made by the audit board and the related parties after the disclosure of audit finding are the most important factor in determining the extent to which government audits can act as a tool that encourages transparency and accountability of the government (Wei, Qin, & Tang, 2010). The obligation to the accountability of financial performance by the public requires local governments to provide clear information about their performance.

Performance measurements are usually done for several aspects namely, financial aspects, customer satisfaction, internal operations and markets, employee satisfaction, community and stakeholders' satisfaction, also time effectiveness (Bastian, 2006). Performance measurement is crucial to assessing organizational accountability and managers in delivering better public services. The public sector performance measurement system aims to help public managers assess the achievement of a strategy through financial and non-financial measuring instruments (Sumarjo, 2010). Accountability in the context of the public sector is a trustee (Government) obligation to give accountability, presenting, reporting and disclosing all activities that become its responsibility to the public who has the right to request such accountability (Kluvers, 2003; Kluvers & Tippett, 2010). This statement implies that in the management of local government there is an agency relationship between the public as

principal and local government as an agent.

Agency theory is a concept that explains the contractual relationship between a principal and an agent. The principal is the party that mandates the agent to carry out all activities on behalf of the principal in his capacity as a decision-maker. In Indonesia, the regional budget document is called the regional revenue and expenditure budget, for provinces, regencies, and cities. The budget preparation process involves two parties, namely the executive and the legislature, each through a team or budget committee. Agency theory sees that there are a lot of information asymmetries between agents who have direct access to information with the public. There is an information asymmetry that allows the occurrence of malpractice or corruption by the agent (Jensen & Meckling, 1976).

Apart from agency theory, another theory that underlies this research is the stakeholder theory. The stakeholders are groups or individuals who can influence or be influenced by the process of achieving organizational goals. Stakeholder theory is a group of people, community or public, both as a whole and partially, who have a relationship and interest to the organization (Bryson, 2004). Success in public and private organizations is the extent to which the organization can guarantee the satisfaction of the main stakeholders (the community as the main stakeholder). The government as the holder of power in the wheels of government must emphasize aspects of the interests of the people as stakeholders (Putro, Furqan & Brilliyanti, 2019).

Accountability assessment through audits of government financial statements in Indonesia is carried out annually by the BPK. The audit result is an opinion on the fairness of financial information presented in the financial statements. The type of opinions given by the auditor, including Unqualified Opin-

ion (Wajar Tanpa Pengecualian, WTP), Modified Unqualified Opinion (Wajar Tanpa Pengecualian Dengan Paragraf Penjelasan, WTP-DPP), Qualified Opinion (Wajar Dengan Pengecualian, WDP), Adverse Opinion (Tidak Wajar, TW), and Disclaimer of Opinion (Tidak Memberikan Pendapat, TMP). WTP is the highest-ranking audit opinion where the auditor believes that the financial statements have fairly presented all material components/financial transactions. As for the other three opinions, each opinion reflects that there are still material weaknesses in the presentation of the government financial statements.

Apart from financial audits, BPK also conducts performance audits and special purpose audits (Pemeriksaan Dengan Tujuan Tertentu, PDTT). Performance audits aim to assess government performance which includes aspects of the economy, efficiency, and effectiveness of programs or activities. The results of the performance audit are focused on improving government policy. Meanwhile, PDTT includes compliance audits and investigative audits. In contrast to financial audits, performance audits and special purpose audits are not conducted annually but based on the BPK's risk assessment and strategic plan. BPK's auditors are required to comply with the State Financial Audit Standards (Standar Pemeriksan Keuangan Negara, SPKN) in conducting the audits. The SPKN itself contains the Audit Standard Statement (Pernyataan Standar Pemeriksaan, PSP) 200 regarding the audit implementation standards, which mandates that auditors must design and carry out appropriate audit procedures to obtain sufficient and appropriate audit evidence (Astuti & Adrison, 2019).

BPK Representative Office in Riau Province had audited 13 LKPDs in 2016. From 13 LKPDs, 11 LKPDs of regencies and cities were awarded WTP opinions except for

Rokan Hilir Regency and Dumai City (BPK, 2016). In 2017, 12 LKPDs of regencies and cities had gained WTP opinions, except for the LKPD Rokan Hilir regency which was still in WDP opinion (BPK, 2017). While in 2018 all LKPDs have obtained WTP opinions (BPK, 2018). Appreciation for achieving WTP's opinion to government agencies is reasonable with these difficulties. The obsession to obtain the WTP opinion is not merely a short-term purpose, but rather as a form of accountability and responsibility of the state's financial management correctly (Putry & Badrudin, 2017). The phenomenon in the submission of accountability reports is that there are still many elements of public doubt regarding the relationship of audit opinion with the public welfare. This doubt is acceptable, considering that there are still local governments that accept the WTP opinion even though their welfare indicators are still low.

Similarly, some areas show the achievement of relatively good public welfare but obtained non-WTP opinion (Akbar & Djazuli, 2015). This raises doubts about whether there is a close correlation between audit opinions and public welfare. In this case, there is a need for research related to the achievement of the results of the financial statement audit in the form of BPK's opinion obtained by the local government, whether it has a significant effect on the social welfare in Riau Province.

Local Government Financial Performance

Local government financial performance is the achievement of a work result in regional finance which includes the budget and realization of local own-source revenue and capital expenditures using financial indicators that are determined through a policy or statutory provisions from one budget period. The performance measurement design uses financial ratios from the elements of the regional head's accountability report in the form of calculating the regional expenditure budget. The ratio refers to a number that shows the relationship of an element with other elements in the financial statements. A ratio is compared with the ratio of similar companies so that with this comparison the situation and performance of the company can be evaluated (Halim, 2004).

Financial ratios, as a company performance analysis instrument, describe various relationships and financial indicators. Its purpose is to show changes in the financial condition or past operating performance and helps to illustrate the trend of such change patterns to show the risks and opportunities inherent in the company concerned. This shows that financial ratio analysis, although based on past data and conditions, is aimed at assessing risks and opportunities in the future (Halim, 2004). One of the performance measurement tools is the analysis of regional financial ratios, which is the core of performance measurement as well as the concept of managing government organizations to ensure public accountability by government agencies to the wider community. According to Halim (2004), the results of the financial ratio analysis can be used to assess the local government's financial independence in financing the implementation of regional autonomy, measure the efficiency and effectiveness in realizing local government revenue and measure the extent of government activities in spending it. Also, it measures the contribution of each source of revenue in the formation of local government revenue and observes the growth/development of revenue and expenditure generated during a certain period.

Local government finance is an allocation of regional resources and media that is used to evaluate the local government's performance in financing regional development for public

welfare. Financial ratio analysis (financial independence ratio, growth ratio, activity ratio) needs to be done in measuring the financial performance of local governments by comparing the performance achieved from several periods (Badrudin, 2015). The financial performance of local governments at this time has not been said to be maximal, because there are still areas that rely on central government finance. Local governments have not been able to explore and maintain regional resources and there are still a lot of allocating funds for routine expenditures. This condition has resulted in declining public welfare.

According to Suryaningsih, Utama, and Yasa (2015), the success of local governments in managing the regional finance implicates the increasing in economic growth per capita consumption and decreasing the Gini ratio number. This affects the condition of health, education, and social life so that the community will be more prosperous. The better the quality of governance, the better the financial accountability of the region will be. Public participation in paying local taxes and levies will illustrate the level of public welfare. A government with good financial performance is a capital for a country in serving the needs of its people. Budget allocation and realization have become more efficient and effective for human development because the administration of government is people-oriented and committed to realizing it. The hypotheses composed based on these descriptions are:

H1: Local government financial performance has a significant influence on public welfare

Article 1 paragraph 37 of Minister of Home Affairs Regulation Number 21 of 2011 concerning the second amendment to Minister of Home Affairs Regulation Number 13 of 2006 states that financial performance analysis is an attempt to identify financial characteristics based on available financial statements. Meanwhile, performance is the output/result of activities/programs that will be or have been achieved in connection with the use of the budget with measurable quantity and quality. In this study, local government financial performance defined as an increasing in the achievement of a work result in the regional finance which includes the budget and the realization of Local Own-source Revenue (Pendapatan Asli Daerah, PAD) using financial indicators that are determined through a policy or statutory provisions from one budget period (Halim, 2013). Halim and Damayanti (2007) mention several financial performance measurements in public sector organizations namely:

1. Local Government Financial Independence (Fiscal Autonomy)
   Local government financial independence (fiscal autonomy) shows the ability of local governments to self-finance government activities, development, and services to people who have paid taxes and levies as a source of revenue needed by the region.
2. Local Own-source Revenue Effectiveness
   The ratio of effectiveness illustrates the ability of local governments to realize the planned PAD as compared to the target set, based on the real potentials of the region.
3. Activity (Compliance)
   This activity ratio illustrates how local governments prioritize their optimal allocation of funds for routine expenditure and development expenditure.
4. Degree of Decentralization
   The degree of decentralization shows the degree of PAD contribution to total regional revenue. The higher the PAD contribution, the higher the regional capacity in implementing decentralization will be.
5. Financial Dependency
   Financial dependency is calculated by comparing the amount of transfer income with total regional income.

On the other hand, the audit opinion is a professional statement as an auditor's conclusion on the fairness of financial information presented in the financial statements. This opinion can be used as a benchmark or indicator to assess the accountability of an entity. The published opinion will be able to raise stakeholders' trust in the reporting presented by the audited party. In other words, the better the performance of a local government then should be able to show the better the audit opinion. This is evidenced by a variety of researches on financial performance and audit opinions conducted by previous researchers.

One of them is from the research of Putry and Badrudin (2017) which examines the influence of local government financial performance on the audit opinion in the Special Region of Yogyakarta Province. The research results that there is a strong positive correlation and influence between the financial performance of the local government with the audit opinion. The financial performance is prescribed through the PAD divided by the total transfer income from the central government. The ability of the local government to increase success and achieve priorities for budget allocation in development spending will influence the increase in audit opinion. Likewise, Rozy and Wijayanti (2014) state that there is a strong positive correlation and influence between the financial performance of the local government with the audit opinion in Central Java Province. However, Marfiana and Kurniasih (2013) found different findings from the BPK examination results and the financial performance of regency and city governments. The results show that the audit opinion is not sufficient to explain its relation to the financial performance of a local government. Thus the hypothesis offered:
H2: Local government financial performance has a significant influence on BPK's opinion.

Audit Opinion

An opinion is a professional statement as the auditor's conclusion regarding the fairness of the information presented in the financial statement (BPK RI, 2017). Opinions must be based on audits carried out by audit standards and the auditor's findings. The results of the accountant's examination are contained in a report which states whether the financial statements have been fairly presented by generally accepted accounting principles. BPK's auditor conducts a financial audit based on four criteria i.e. compliance with the public accounting standards, adequacy of disclosure, compliance with legislation, and effectiveness of internal control systems.

The better the BPK audit opinion obtained, this shows the better the government management is in managing its resources to provide better public services (Masdiantini & Erawati, 2016). Different findings are found by Akbar and Djazuli (2015) in their study on the financial audits and welfare of people in Badung regency, cities of Tabanan, and Denpasar with comparison techniques and scatter plots. The result proves empirically there is no strong correlation between the audit on financial statements or LKPD in particular with the public welfare. The audit on financial statements compares between accounting and finance practices in local government and the government accounting standard that has not fully considered economic welfare indicators. Therefore the third hypothesis is:
H3: BPK's opinion has a significant influence on public welfare

Public Welfare

Public welfare can be seen from the measurement of the results of community development in achieving a better life, which includes the increasing ability and equal distri-

bution of basic needs such as food, housing, health, and protection. Also, there are the increasing living levels, income levels, better education, and attention to culture and human values. Besides, there is an expansion of economies of scale and the availability of social options for individuals and countries (Todaro & Smith, 2006). United Nations Development Programme (UNDP) measures people's welfare more comprehensively by using the Gross Regional Domestic Product (Produk Domestik Regional Bruto, PDRB) per capita, poverty level, and life expectancy which is constructed into the human development index (Kusuma & Badrudin, 2016).

Local government performance can be measured by the level of welfare of the local community (Mangkunegara, 2015). The welfare uses a microeconomic analysis approach in the form of optimizing the use of economic resources or efficiency which is analyzed in the aggregate (Akbar & Djazuli, 2015). The economic welfare indicators used include economic growth rate, PDRB per capita, poverty level, human development index, unemployment rate, and Gini Ratio.

Analysis of the performance of local governments in managing regional finances using financial ratio analysis of the regional expenditure budget means comparing the performance achieved in a certain period with the previous period and producing a trend. One of the assessments of local government financial performance can be seen from the BPK's audit opinion. The emergence of the opinion that performance measurements can improve the efficiency, effectiveness, savings, and productivity of the public sector organizations has caused great attention to welfare orientation (Halachmi, 2005). Ideally, the better financial management of the state, manifested with WTP opinion from BPK, will increase public welfare. This is due to the use of state finances is for public welfare. Welfare is the human ability to fulfill the needs

of clothing, food, housing, education, and prosperity.

Welfare focus is the optimal allocation of resources using the microeconomic analysis approach of optimizing the use of economic resources or efficiency analyzed in aggregate. The welfare concept is very relevant to discuss the correlation between government performance in the financial management of the country with the opinion of BPK because the welfare indicators are the outputs and outcomes resulting from economic resources through the activities of government programs (Musahadah & Amarullah, 2018). From this description, the fourth hypothesis developed is:

H4: Local government performance indirectly, through BPK's opinion, has a significant influence on public welfare

The existence of several differences and inconsistencies of research results led to this important research to do. Noticing some of the results of the previous studies, this study tries to incorporate several different variables with audit opinion variables positioned as mediation variables between local government performance and public welfare. The reason for the authors to choose the BPK's opinion variable is to determine the extent of the relationship between the achievement of the financial statement audit results in the form of BPK's opinion obtained by the regional government to regio-nal financial performance. Also, whether it has a significant effect on the public welfare in Riau Province.

Therefore, the contribution of this research is to show whether the implementation of good governance and an inclusive economic development model can be analyzed by the achievement of the opinion of the government audit that will describe the level of public welfare. Through the formulated hypothesis, the study aims to determine and

analyze the effect of local government financial performance on the level of public welfare with audit opinion as a mediation. Furthermore, it is hoped that this study can explain how big the role of BPK's opinion is in influencing financial performance in improving public welfare and providing input to related parties (stakeholders).

RESEARCH METHOD

The object of this study was audit opinion, local government revenue, regional cash expenditures, the growth rate of PDRB based on constant prices, poverty level, and HDI in regencies and cities in the Riau provincial government. The variables are described from several theories and previous research. The conceptual framework can be illustrated in Figure 1.

This study was quantitative with data that supports the research and analysis using a data panel of 12 regencies and cities in the province of Riau from 2014 to 2018. The data source in this research is secondary data. The types of data used in this research are quantitative and qualitative data. Quantitative data is data in the form of numbers that can be measured in units of calculation while qualitative data is data in the form of words, sentences, schemes, and pictures or the form of information and is not in the form of numbers (Akbar, 2020). The quantitative data in this study were the regencies and cities' Go-

vernment Budget Realization Report in Riau Province for the period 2014 to 2018. The qualitative data used is the BPK's opinion information contained in the BPK's IHPS for the 2014-2018 period as well as other information that supports this study. The operational variables and indicators used in this study are illustrated in Table 1.

The data analysis used was Structural Equation Modelling-Partial Least Square (SEM-PLS). PLS is an analysis of a variant-based structural equation that can simultaneously test the model of measurement (outer model) and structural model (inner model) (Jogiyanto & Abdillah, 2012). The measuring model was used for validity and reliability testing through the algorithm iteration process resulting in measurement model parameters, including the R^2 value as predictive model precision. While the structural model is used to predict the causality correlation between latent variables through the bootstrapping process which results in a T-statistic test parameter to predict the presence of causality correlation. Observation data amounted to 60, is data from 12 regencies and cities during the 5 year observation period. Therefore, this approach was chosen based on the small amount of observational data used in the study sample (less than 100).

SEM-PLS aims to test the predictive relationship between constructs by seeing whether there is a relationship or influence
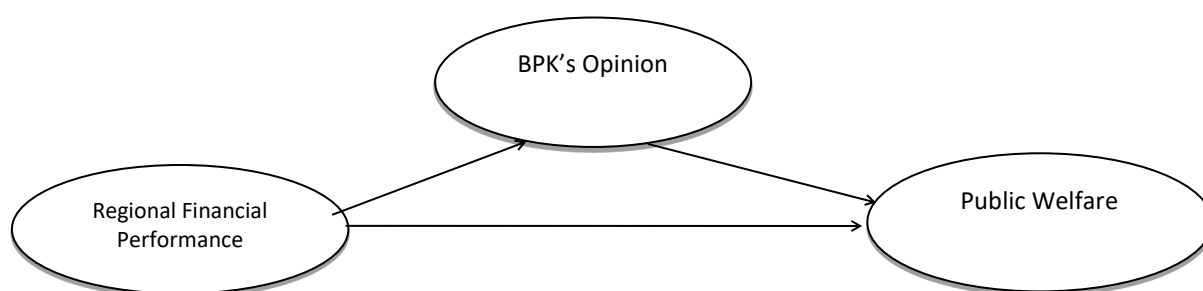
Figure 1. Conceptual Framework

Table 1. Operational Variables

Variable	Variable Definition	Indicator
Local Government Financial Performance (X)	The output/outcome of the activities/programs that will or has been achieved following the use of budgets with measurable quantity and quality.	1. Local Government Financial Independence (Fiscal Autonomy) 2. Local Own-source Revenue Effectiveness 3. Acitivity (Compliance) 4. Degree of Desentralization 5. Financial Dependence
BPK's opinion (Y)	A statement provided by a registered auditor stating that the audit has been conducted under the norm or the accountant examination rules followed with the opinion on the fairness of the financial statements examined.	1. Disclaimer of Opinion (TMP) 2. Adverse Opinion (TW) 3. Qualified Opinion (WDP) 4. Modified Qualified Opinion (WTP-DPP) 5. Unqulified Opinion (WTP)
Public Welfare (Z)	Indicators of community development outcome in achieving a better life which includes the increasing ability and equality of distribution of basic needs.	1. PDRB per capita 2. Poverty rate 3. Human Development Index (HDI)

Source: Halim and Damayanti (2007), Todaro & Smith (2006), Mulyadi (2014), Law of the Republic of Indonesia Number 15/2004

between these constructs that can be tested without a strong theoretical basis, ignoring some assumptions (non-parametric) and predictive model accuracy parameters seen from the coefficient of determination (R- Square, R^2). Ghozali (2014) divides two types of constructs, namely constructs with reflective indicators and constructs with formative indicators. This study uses a construct with a reflective indicator because the variable construct describes the indicator. The construct with the reflective indicator assumes that the covariance between the measurement models is explained by the variant which is the manifestation of the construct domain with the direction of the indicator from construct to indicator. Each indicator must be added with the error terms or measurement error.

In this study, data analysis using PLS starts from the evaluation of the measurement model (outer model), evaluation of the model structure (inner model), and hypothesis testing (path coefficient analysis). The outer model or measurement model defines how each indicator block relates to its latent variable. The outer model analysis is carried out to en-

sure that the indicator used is suitable for measurement (valid and reliable). Outer model analysis can be seen from several indicators namely convergent validity, discriminant validity, and reliability test.

1. Convergent Validity

Ghozali (2014) states that convergent validity is related to the principle that the measures of a construct should be highly correlated. Convergent validity test of reflective indicators can be seen from the loading factor value for each construct indicator. In general, the rule of thumb for assessing convergent validity is confirmatory research, the loading factor value must be more than 0.7. For exploratory research, the loading factor value is between 0.6-0.7 and the Average Variance Extracted (AVE) value must be greater than 0.5. However, the loading factor value of 0.5-0.6 is still considered sufficient for research in the early stages of developing a measurement scale (Chin, 1998 in Ghozali, 2014).

2. Discriminant Validity

Ghozali (2014) states that discriminant validity is related to the principle that different construct measures should not be highly correlated. The discriminant validity test with reflective indicators can be done by looking at the cross-loading value for each variable and must be > 0.70, also comparing the square root of the AVE for each construct with the correlation value between constructs in the model. The square root of AVE for each construct is greater than the correlation between constructs in the model showing good discriminant validity (Fornell & Larcker, 1981).

3. Reliability Test

Reliability tests are carried out to prove the accuracy, consistency, and accuracy of instruments in measuring constructs (Ghozali, 2014). Measuring the reliability of a construct with reflective indicators can be done with Cronbach's alpha or composite reliability. Ghozali (2014) suggests a reliability test using composite reliability. In general, the rule of thumb for assessing construct reliability is 1) for confirmatory research, it must be greater than 0.7 and 2) for exploratory research it is still acceptable for reliability values from 0.6 to 0.7.

The inner model or structural model analysis is carried out to ensure that the structural model is built firmly and accurately. The model describes the relationship between latent variables based on the substantive theory. Designing a structural model is designing the relationship between latent variables in PLS based on the formulation of the problem or hypothesis. R square and the significance of the path coefficient through the Bootstrap procedure can be used to assess the structural model of the PLS technique (Henseler, et al., 2009 in Jogiyanto & Abdillah, 2012).

1. The coefficient of determination (R^2)

Ghozali (2014) states that in assessing structural models with PLS, it is first necessary to look at the R^2 value of each endogenous latent variable as the predictive strength of the structural model. Changes in the value of R^2 can explain the effect of certain exogenous latent variables on endogenous latent variables whether they have a substantive effect. A model can be assessed as strong or not known from the R^2 value. R^2 values of 0.75, 0.50, and 0.25 can be concluded that the model is strong, moderate, and weak. The results of PLS R^2 represent the number of variants of the construct described by the model.

2. Coefficient Path Analysis

After the results of the evaluation of the structural model and measurement model are obtained, hypothesis testing is carried out by looking at the coefficient of influence and the t-statistic value. The hypothesis is accepted if the t-statistic is greater than the t-table (1.96) and the p-value is smaller than the significance value (0.05). The estimated value of the structural path coefficient in the model (estimate for path coefficients) is the path coefficient value that shows the magnitude of the influence of the variable (construct). This estimated value is evaluated using the t-statistical test obtained through the bootstrapping procedure (Ghozali, 2014). The application of the re-sampling method in bootstrapping allows the data to be distributed freely (distribution-free), does not require normal distribution assumptions, and does not require a large sample (a minimum sample of 30 is recommended). The test was carried out using the t-test statistic (t-test), with the criteria if the obtained p-value ≤ 0.05 (alpha = 5%), it was concluded significant, if the obtained p-value> 0.05, it was not significant.

RESULT AND DISCUSSION

Data was taken from all regencies and cities in Riau Province, namely 10 regencies (Kampar, Siak, Meranti Islands, Bengkalis, Kuantan Singingi, Indragiri Hulu, Indragiri Hilir, Rokan Hulu, Rokan Hilir, Pelalawan) and 2 cities (Pekanbaru, Dumai) with periods 2014-2018. There are 9 indicators used so that 540 data were analyzed in the PLS study through three stages, namely evaluation of the measurement model (external model), evaluation of the structural model (inner model), and path analysis to test the hypothesis.

Measurement Model Evaluation (Outer Model)

The measurement Model (outer model) describes the correlation between the indicator and the variable. Evaluation of the measurement model includes the validity of the construct and reliability of the conduction. The validity of the construct is a form of testing that is intended to identify a contractual correlation with the indicator. Construct validity test consists of convergent validity using the loading factor on the outer loading and the validity of the discriminant using the average variance extracted (Ghozali, 2014). Convergent validity is shown in Table 2. According

Table 2. The Validity of Convergent Result (Loading Value)

Indicator	Public Welfare	Financial Performance	BPK's opinion
X1		0.989	
X2		-0.320	
X3		-0.053	
X4		0.982	
X5		-0.960	
Y			1.000
Z1	0.217		
Z2	-0.743		
Z3	0.940		

to Table 2, there are some invalid indicators from the outer loading test because the value is below 0.50 (P-value > 5%). The invalid indicators are X2, X3, and X5 in the financial performance variable, also Z1 and Z2 in the public welfare variable. Other invalid indicators were removed (not used for further analysis).

After the validity testing, further reliability testing was carried out to measure the internal consistency of the measuring instrument. Construct is considered reliable if it has composite reliability and Cronbach's Alpha value above 0.60 (Nunnally, 1978). Average AVE is also used for the evaluation of discriminant validity, and the criteria should be above 0.50 (Fornell & Lacker, 1981). The result of the construction reliability test for this study is presented in Table 3 that shows composite reliability and Cronbach's Alpha has been qualified above 0.60. Likewise, the AVE value is above 0.50. Therefore, it can be con-

Table 3. The Construction Reliability Test Result

Variable	Cronbach's Alpha	Composite Reliability	AVE
Financial Performance (X)	0.689	0.793	0.665
BPK's opinion (Y)	1.000	1.000	1.000
Public Welfare (Z)	0.665	0.620	0.506

cluded that the construct in this study is reliable. Overall, the result of the measurement model (outer model) is eligible for further analysis.

Structural Model Evaluation (Inner Model)

Structural Model Evaluation (inner model) is performed to determine the most common determinations in explaining the changes that occur to the other constructs. The structural Model in PLS is evaluated using R^2

which is used to measure the variation rate of the variable change independently from the dependent variable. The higher the value of R^2 means the better the prediction of the proposed research model. The R^2 value from the SmartPLS output for public welfare is 0.644 while BPK's opinion is 0.001. That means the local government financial performance and BPK's opinion can explain the variances that occurred to the public welfare 64.4%. The remaining 35.6% are explained by other factors that are not found in this research model. Whereas BPK's opinion variables are not yet explained from the local government financial performance variances due to the low R^2 value of 0.1%.

Coefficient Path Analysis

The analysis of data processing results in the full model of PLS was done by conducting a conformity test and statistical test. The result of the structural model is shown in Figure 2. that shows the mutual influence between the latent variables by looking at t-statistic and P values. When the t-statistic is greater than 1.96 and the P-value is smaller than 0.05 then the latent variable gives a significant effect on the other latent variables. Conversely, when the t-statistic is smaller than

1.96 and the P-value is greater than 0.05, the latent variable does not give a significant effect to other latent variables (Ferdinand, 2012).

Impact analysis is aimed at seeing how strongly the influence of a variable with other variables is either direct or indirect. The T-value and the coefficient of structural models have summarized in Table 5, the result of the hypothesis testing. Testing on the direct effect of local government financial performance on public welfare empirically proves that financial performance provides a positive and significant direct influence on the public welfare in the regencies and cities in Riau Province. Thus, it can be concluded that better local government financial performance will increase the level of public welfare. Conversely, if the financial performance of the local government is bad, it will be predictable that the level of public welfare in the area is also low. The result of this research is the same as the research of Putry and Badrudin (2017) as well as Suryaningsih, Utama, and Yasa (2016) who find that there is a positive correlation between financial performance and public welfare. The increasing local government financial performance will be able to manage the region's potentials
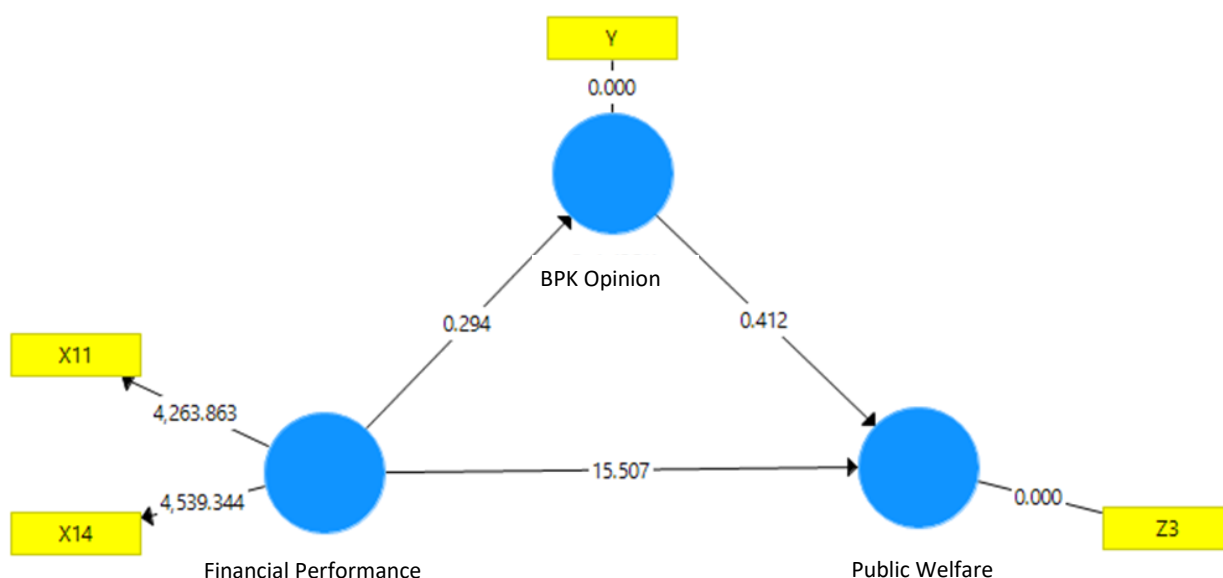
Figure 2. The Structural Model Test Result

Table 5. Hypothesis Test Results

Hypothesis	Coefficient (Original Sample)	Mean	SD	T-Statistics	P-Values	Result
H1	0.800	0.789	0.052	15.330	0.000	Accepted
H2	0.036	0.037	0.118	0.308	0.758	Declined
H3	*0.035*	0.043	0.076	0.460	0.646	Declined
H4	0.001	0.003	0.014	0.090	0.928	Declined

such as natural resources, human resources, and financial resources optimally. This will also lead to increasing public welfare. Thus, the first hypothesis (H1) is approved.

The second hypothesis is the influence of local government financial performance on BPK's opinion. Based on the result of analysis and testing, it can be concluded that the local government financial performance has a positive influence, but not significant to the opinion of BPK, or H2 is declined. This means that the better financial performance has not been a guarantee that the local government will get good BPK's opinion. This is due to BPK's opinion is a professional statement of the auditor regarding the fairness of financial information presented in financial statements based on compliance with government accounting standards, adequate disclosures, compliance with laws and regulations, and the effectiveness of the internal control system. The result supports the research by Marfiana and Kurniasih (2013) stating that the audit opinion is not enough to explain the correlation between financial performance of the local government. This shows that the opinion of a good local government audit is not necessarily showing the local government's financial performance either. On the other hand, Rozy and Wijayanti (2014) also Putry and Badrudin (2017) find that there is a positive influence between the local government financial statement and the audit opinion.

Testing of the third hypothesis shows that the BPK's opinion has no effect on public wel-

fare, meaning that H3 is declined. The result of this research is in line with the research of Musahadah and Amarullah (2018) who find that the audit opinion has no positive and significant effect on the public welfare. BPK's opinion cannot be used as a benchmark to predict the level of public welfare. According to Law Number 11 of 2009, social welfare is the condition of fulfilling the material, spiritual, and social needs of citizens to be able to live properly and develop themselves, so they can carry out their social functions. Statistics Indonesia (2000) explains that indicators of household welfare that can be mea-sured include the level of household income, the composition of household expenditures by comparing expenditure on food and non-food items; family education level, family health level, and condition of housing and facilities owned by the household. BPK's opinion is related to the fairness of the financial information presented in the financial statements and not related to the five indicators above. This shows the fact that BPK needs to include the welfare audit in the process of local government finance audit, from planning activities and implementation to reporting, which is concrete to support the achievement of public welfare.

Furthermore, the H4 test in this study shows that the financial performance of the local government indirectly through the BPK opinion has no significant effect on the public welfare. Thus, H4 is declined. The BPK's opinion has not been able to provide a mediating effect on the influence of the financial perfor-

mance of local governments in regencies and cities throughout Riau on the public welfare.

The financial management of the central and local governments is philosophically used in a transparent, responsible, and comprehensive manner for the public welfare. On the internal side of the local government, there is a strengthening of the internal control system, as well as tight supervision from the inspectorate. The results are in line with research conducted by Akbar and Djazuli (2015) which proves that indirectly local government financial performance has an influence on public welfare through BPK's opinion. The examination of the public welfare remains untouched by the current audit model. Some quantitative pieces of evidence show that WTP opinion is not yet able to describe the prosperity and welfare of the local community. It can be concluded that the audit opinion of BPK obtained by a local government cannot indicate better public welfare.

CONCLUSION

Based on the analysis and discussion that has been presented, it can be concluded that the financial performance of the local government demonstrated from the local government's ability in financial independence, PAD effectiveness, activity/compliance, degree of decentralization, and financial dependence, has a significant positive effect on public welfare in the regencies and cities in Riau Province. The more productive local government performance illustrates the better the level of public welfare. With this, local government financial performance will provide ease of implementation of the activities and government programs in the efforts to improve the welfare of the public.

BPK's opinion of LKPD in Riau Province does not have a significant effect on public welfare. The same thing prevails on the financial performance which has a small effect on BPK's opinion. The audit findings do not investigate if the government's activities have been in line with the target, but only examine the non-conformity of the activity with the constitutional regulations. On the other side, BPK's opinion cannot give the mediation effect on the effect of the financial performance of the regency and city governments within Riau Province to provide public welfare. The absence of a significant effect of BPK's opinion on Riau public welfare shows that BPK's audit opinion obtained by the local government still cannot indicate the improvement of public welfare itself.

The suggestions given are for the BPK to carry out a comprehensive audit by applying a Long Form Audit Report (LFAR) which includes both financial and performance audits at the same time. So that, in addition to providing opinions on financial statements, BPK also provides an assessment of the success or failure of the government in designing and implementing development programs that have an impact on improving public welfare. For the performance audit program carried out in conjunction with financial audits, BPK will focus on programs related to improving people's welfare, for example: health insurance, education insurance, poverty alleviation and employment provision and, in a wider scope, examining achievement indicators of welfare nationally.

Meanwhile, the local governments should be more accurate and comprehensive in preparing and presenting financial and performance reports in the framework of accountability for their budgets. The local government must also explain the work achievements achieved in using the budget in a reliable, complete promptly to determine the success in the implementation of the Regional Government Financial Reporting System. The authors certainly realize that there are still

some weaknesses and needs for improvement/perfection. Therefore, for further research, the authors suggest it is necessary to consider the use of questionnaire techniques, use of other variables, and expand the scope of research.

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ACKNOWLEDGEMENT

JURNAL TATA KELOLA DAN AKUNTABILITAS KEUANGAN NEGARA

Author Index

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JURNAL TATA KELOLA DAN AKUNTABILITAS KEUANGAN NEGARA

Subject Index

Vol. 6, 2020

AUTHOR GUIDELINES

General Requirements

This journal broad scope provides a platform to publish primary and secondary research (review articles) related to state finance in areas of accounting (public sector accounting), auditing, governance and accountability of state finances, public administration policy, 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 other publication media or publishing houses, either in printed or electronic form. The article shall be written in English.

Submission

1. The paper used by the author should be prepared in A4 paper.

2. The article published in JTAKEN should be accompanied by Curriculum Vitae (CV) & Statement of Authenticity and Copyright Release. The template is available online at jurnal.bpk.go.id.

3. The article should be submitted online via the journal website (jurnal.bpk.go.id).

4. The length of the article around 18-20 pages, including figure, graphic, or table.

The Article Guidelines

1. Research Article Structure

   a. Article Title

   - Briefly describe the substance of the article, no more than 15 words, 18 point Calibri, 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 point spacing, 0 point 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.

   - An abstract consists of no more than 200 words in English.

   - Abstract using 10 point Georgia and single line spacing.

   - Keywords in abstract consist of 3-6 words, separate with a semicolon (;).

   d. Article's Body

   The body of the article consists of an introduction, research method, result and discussion, and a conclusion. The body of the 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 left margin.

   - Abbreviations should be followed with an 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 basis 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 a 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 in its suitability and contradiction with other research. The discussion also explains the limitation of the research and its implications both theoretically and by the application.

h. Conclusion

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

i. References

- The author must cite the publications on which the article work is based. Cite only items that the author has read.

- Primary references should be ±40%-80% of 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 reference management software such as Mendeley, End Note, Zotero, etc.

j. Appendices/Acknowledgements

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

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

3. Heading

Heading should be made on 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

- The 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.

- The number of table is identified using Arabic numerals (1, 2, 3,...).

- "Table" and "Number" written in bold, while table title is written in normal format.

- Source and information placed below the table, left-aligned, italic, 9 point Calibri.

5. Figure

- The figure can be a graphic, matrix, picture, diagram, and others placed centered on the page.

- Figure title is 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.

- 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.

- The figure should be in black and white with extension .jpg or .tif. If it is made in color to explain the meaning, it must provide the respective high-resolution figure minimum 300dpi.

6. Citation Format

The 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 "et al."

There are two types of references, those are electronics and non-electronic 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

   Hendriksen E. S., & Van Breda, M. F. (2002). *Accounting theory*. New York, NY: McGraw-Hill.

4) Three to five authors

   Albrecht, W. S., Albrecht, C. O., Albrecht, C. C., & Zimbelman, M. F. (2014). *Fraud examination* (5thed.). Boston: Cengage Learning.

5) Six or more authors

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

   Siregar, B., Suripto, B., Hapsoro, D., Widodo, E., Herowati, E., Kusumasari, L., Nurofik. (2013). *Akuntansi biaya*. Jakarta: Salemba Empat.

b. E-book

   Jonick, C. (2017). Principles of financial accounting. Retrieved from https://www.e-booksdirectory.com/details.php?ebook=12161.

c. Books published by organizations or institutions

   Ikatan Akuntan Indonesia. (2011). *Standar profesional akuntan publik*. Jakarta: Salemba Empat.

d. Journal Article

1) Printed Edition

   Journal with volume and number

   Gumanti, T.A. (2001). Earnings management dalam penawaran saham perdana di Bursa Efek Jakarta. *Jurnal*

Riset Akuntansi Indonesia, *4*(2), 165-183.

<u>Journal with volume</u>

Elliston, F.A. (1982). Anonymity and whistleblowing. *Journal of Business Ethics*, 1, 167-177.

2) Online Edition

Lowe, D. J., Pope, K. R., & Samuels, J. A. (2015). An examination of financial sub-certification and timing of fraud discovery on employee whistleblowing reporting intentions. *Journal of Business Ethics*, 131(4), 757-772. doi: 10.1007/s10551 -013-2020-8.

e. Thesis/Dissertation

1) Unpublished thesis/dissertation

Ramadhany, A. (2004). *Analisis faktor-faktor yang mempengaruhi penerimaan opini going concern: Studi empiris pada perusahaan manufaktur yang mengalami financial distress di Bursa Efek Jakarta*. (Unpublished master's thesis). Universitas Diponegoro, Semarang.

2) Thesis/dissertation from online database

Burger, M. A. (2012). *Accounting measurement and beta risk measures*. Retrieved from ProQuest Digital Dissertations. (UMI No. 3522298).

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.

Sianturi, H. R. (2019, Januari). Memanggul beban utak atik harga BBM. *Gatra, XXV(9)*, 92-95.

Hamel, G., & Zanini, M. (2018, November-December). The end of bureaucracy: How a Chinese appliance maker is reinventing management for the digital age. *Harvard Business Review*, *96*(6), 51-59.

g. Newspaper

1) Printed Edition

Sutaryono, P. (2019, Januari 3). Tantangan perbankan 2019. *Kompas*, p.6.

2) Online Edition

Zain, W. (2018, June 8). Behind the rise of income inequality in Indonesia. *The Jakarta Post*. Retrieved from http:// www.thejakartapost.com/ academia/2016/06/08/behind-the-rise -of-income-inequality-in- indonesia.html.

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 reserve 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 the jurnal.bpk.go.id page. To submit an article, the author must have a user account and registered as a user.

User Registration

a. The registration process is started by clicking the "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

b. 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 login, 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. In 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".

Home > User > Author > Submissions > **New Submission**

Step 1. Starting the Submission

1. START 2. UPLOAD SUBMISSION 3. ENTER METADATA 4. UPLOAD SUPPLEMENTARY FILES 5. CONFIRMATION

Encountering difficulties? Contact Veronika Dewi P for assistance (021 25549000 ext 3311).

Submission Language

This journal accepts submissions in several languages. Choose the primary language of the submission from the pulldown below.

Language *   [English ▾]

Submission Checklist

Indicate that this submission is ready to be considered by this journal by checking off the following (comments to the editor can be added below).

☐   Please read carefully. The journal only accepts articles that meet the JTAKEN's format and style. Any articles written in different format will NOT be reviewed.

☐   Due to the need for correspondence, all authors' personal contacts are required. Please provide e-mail address, and phone/mobile number.

☐   Submission articles supported with supplementary documents including and can be downloaded here:

- **Author CV**
- **Statement** of Originality and copyright transfer (Rp6000.00 stamp duty); and

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.

Step 2. Uploading the Submission

1. START **2. UPLOAD SUBMISSION** 3. ENTER METADATA 4. UPLOAD SUPPLEMENTARY FILES 5. CONFIRMATION

To upload a manuscript to this journal, complete the following steps.

1. On this page, click Browse (or Choose File) which opens a Choose File window for locating the file on the hard drive of your computer.
2. Locate the file you wish to submit and highlight it.
3. Click Open on the Choose File window, which places the name of the file on this page.
4. Click Upload on this page, which uploads the file from the computer to the journal's web site and renames it following the journal's conventions.
5. Once the submission is uploaded, click Save and Continue at the bottom of this page.

Encountering difficulties? Contact Veronika Dewi P for assistance (021 25549000 ext 3311).

Submission File

File Name	132-622-1-SM.docx
Original file name	2. Contoh Submission Artikel.docx
File Size	28KB
Date uploaded	2018-02-05 03:45 PM

Replace submission file   [Browse...] No file selected.   [Upload] ENSURING A BLIND REVIEW

No file selected.

[Save and continue] [Cancel]

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 have been used. The 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:

- An author whose name consists of one word has to fill in his/her name in the last name. The first name can be filled with repetitions of the last name or filled with dots or hyphens.
- If the author is more than one person, then click the "Add Author" button to add the 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, the author can find the delete function.
- The author has to write an abstract using the language according to the article written.
- List the "keywords" in the keywords column at the indexing section and separated it with a se–micolon.
- 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. In the fourth step, the 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. In 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 the article by clicking "active submission" on the user's 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 the 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 the 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 the 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

An article that has been reviewed and needs 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 the editor's notes and uploads it again through the "Upload author version". The editor will automatically receive a notification if the article has been sent/uploaded.

Figure 13. Downloading and uploading revised article

Copyediting

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

a. Click the article title that will be revised on the "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 recheck 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 the "author copyedit" section. Click on the "e-mail" icon to send a notification e-mail to the editor.
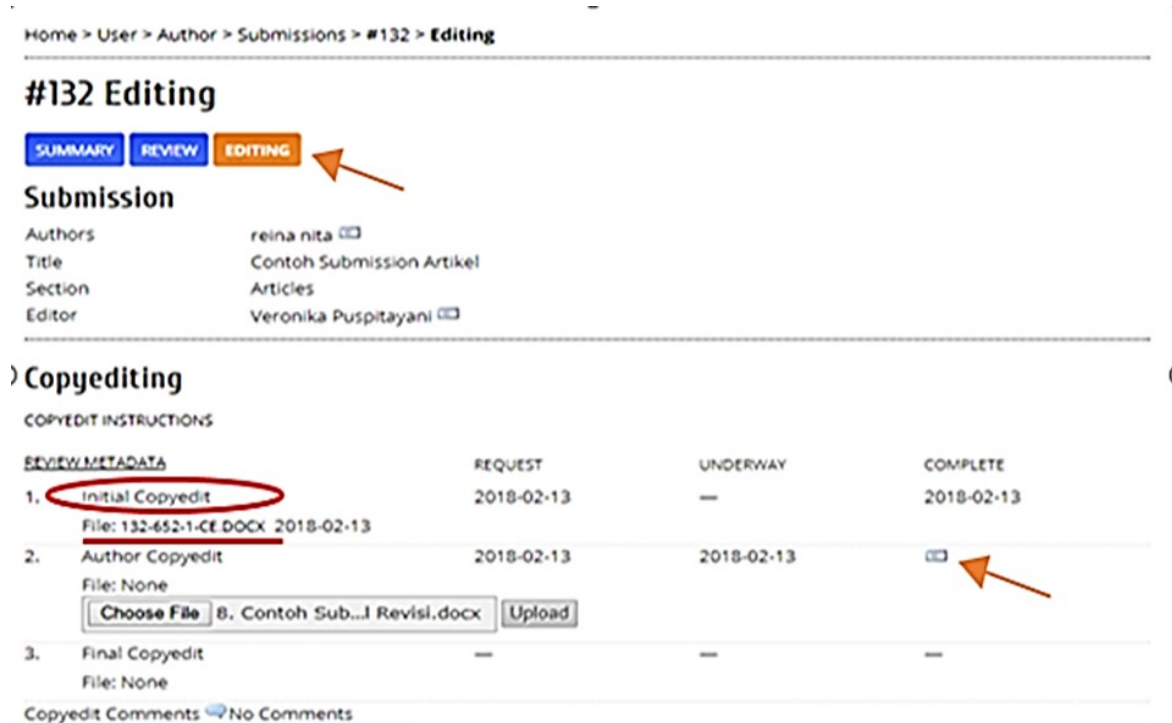
Figure 14. "Copyediting" page

Proofreading

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

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

b. The author can see if the initial galley already correct by clicking the "view proof" on galley format in the "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