



Analysis of the Level of Efficiency and Effectiveness in Measuring Financial Performance at the Secretariat of the DPRD of West Sumatra Province in 2020-2021

Dety Lafera

Akademi Akuntansi Indonesia Padang, email: detylafera20@gmail.com

*Corresponding author: Dety Lafera

Abstract: This study aims to determine and analyze the level of effectiveness and efficiency in measuring financial performance at the Secretariat of the DPRD of West Sumatra Province for 2020-2021 which is measured using shopping variance analysis, shopping growth analysis, shopping harmony analysis, and shopping efficiency. The research method used is quantitative research. In this study, data collection techniques were carried out by means of documentation and interviews. The data type used is secondary data. The results of this study show that the performance of the capital expenditure budget as seen from the analysis of expenditure variance in 2020-2021 shows that the expenditure variance is in good condition but the realization of spending is far from the planned expenditure budget. The performance of the capital expenditure budget is seen from the growth of growth expenditures fluctuating and in 2020-2021 the growth is negative but is said to be capable because the growth is positive. The performance of the expenditure budget as seen from the analysis of spending harmony in 2020-2021 has not reached the portion in general and has not been able to carry out activities for the needs of its development activities because the portion has not been able to reach the portion in general. The performance of the capital expenditure budget is seen from the expenditure efficiency ratio in 2020-2021, each of which is said to be good because the realization of the budget does not exceed the budget and this shows that the Secretariat of the DPRD of West Sumatra Province has made savings on the budget.

Keywords: Budget Performance, Effectiveness, Efficiency

INTRODUCTION

According to Law No. 32 of 2004 concerning Regional Government, Article 1 of the definition of regional autonomy is the right, authority, and obligation of autonomous regions to regulate and take care of their own government affairs and the interests of local communities in accordance with laws and regulations. The authority as referred to in Law No. 32 of 2004 concerning Regional Government, Article 1 covers all fields of government, except for authority in the fields of foreign policy, security defense, justice, monetary, fiscal, religious, and other authorities.

To realize autonomy, decentralization and assistance tasks to reduce regional dependence on the central government, the House of Representatives of the Republic of Indonesia (DPR-RI) enacted Law No. 22 of 1999 concerning Regional Government, and Law No. 25 of 1999 concerning Financial Balance of the Central and Regional Governments. The law was later updated to Law No. 32 of 2004 on Local Government, and Law No. 33 of 2004 on Financial Balance between the Central and Regional Governments, as an implementation of regional autonomy. With the enactment of Law No. 32 of 2004 concerning Regional Government, which is used as a guideline in the development of regional autonomy. Local governments are given broad, real and responsible authority so as to provide opportunities for regions to freely regulate and exercise their authority on their own initiatives in accordance with the interests of the local community and the potential of each region.

The implementation of regional autonomy to support the implementation of decentralization or regional autonomy is not only financed by the State Budget (APBN), but also comes from its own sources of income extracted from Regional Original Income (PAD), regional part of the Tax and Non-Tax Revenue Sharing (BHPBP), allocation funds in the form of donations and central development assistance to the regions, regional loans, and the rest of the previous year's state budget.

Donations from the central government and other donations to the Regional Revenue and Expenditure Budget (APBD) of local governments, are regulated by laws and regulations, which is about 75% of the total regional revenues. All these types of admissions are included in the Provincial, District/City Budget. This causes local governments to still depend on the central government so that the ability of regions to develop potential is still limited.

Local governments are tasked with running the wheels of government, development, and community services, and are obliged to submit local financial accountability reports to assess whether local governments are performing their duties properly or not. One of the instruments to measure the level of success/financial performance of local governments by analyzing the financial performance of local governments on financial management that has been implemented.

Analysis of the financial performance of district and city governments is carried out by comparing the results achieved from one period compared to the previous period so that it can be known how the trend occurs. With this analysis, district and city governments can measure regional financial independence in financing the implementation of regional autonomy, and growth in realizing regional revenues, measure the extent of government activities in spending their regional income, measure the contribution of each source of income in the formation of regional revenues, and can see the growth or development of revenue and expenditure acquisitions made over a period of time. certain. To find out if the budget is used effectively and efficiently.

The West Sumatra Provincial Legislature is a public sector organization that can produce services for the public in terms of meeting all forms of public needs and rights. The importance of social welfare development which is mandated to the realization of programs and activities in the West Sumatra Provincial DPRD both financially and physically that can be held in accordance with their main duties and functions to achieve community welfare, including their readiness to evaluate the performance that has been implemented.

LITERATURE REVIEW

Definition of Financial Performance

Financial performance is the achievement of an achievement from the company during a certain period of company financial management, then with achievements, a company can show how it performs. Fahmi (2018: 142) financial performance is an analysis carried out to

see the extent to which a company has implemented using the rules of financial implementation properly and correctly. Hery, (2015: 25) Financial performance is a formal effort to evaluate the efficiency and effectiveness of a company in generating profit and a certain cash position. By measuring financial performance, it can be seen the prospects for the growth and development of the company's finances. A company is said to be successful if the company has achieved a certain performance that has been determined.

From the above understanding, it can be concluded that financial performance is a formal effort that has been carried out by a company that can measure the company's success in making a profit, so that it can see the prospects, growth, and potential for good development of the company by relying on existing resources. A company can be said to be successful if it has achieved the standards and goals that have been set.

Definition of Government Agency Performance Report (LKjP)

LKjP is prepared in accordance with the mandate of Presidential Regulation of the Republic of Indonesia Number 29 of 2014 concerning the Government Agency Performance Accountability System, and guides the Regulation of the Minister of State Apparatus Empowerment and Bureaucratic Reform Number 53 of 2014 concerning Technical Guidelines for Performance Agreements, Performance Reporting and Review Procedures for Government Agency Performance Reports. LKj as one of the tools for assessing performance success/failure is a form of transparency in the implementation of local government in order to realize good governance. Government Agency Performance Report (LKjP) is a report that contains the performance of a government agency. The preparation of the LKjP based on the current budget cycle, which is one year, contains a complete report comparing planning and results. In the preparation of an activity compares planning and results. In the preparation of a shopping activity, an input is made, namely the amount of funds needed and the results, namely a result or form obtained from the funds issued.

Performance Report' (LKj) Government Agency is a form of accountability of duties and functions entrusted to government agencies for the use of budgets, which contains performance measurement and evaluation and adequate disclosure of the results of analysis of performance measurement. This Performance Report (LKj) is prepared to account for the success or failure of performance implementation in accordance with its main duties and functions.

Measurement of Local Government Financial Performance

Mardiasmo (2018:15) The public sector performance measurement system is a system to assist public managers in assessing the achievement of a strategy using financial and nonfinancial measurement tools that can be used as organizational control tools that are strengthened by establishing rewards and punishments (punishment system). Mardiasmo, (2018: 151), financial performance measurement is used to assess the success of local governments in achieving the goals and objectives of the work unit program which is then used to improve government performance by comparing the financial performance achieved (realization) with the planned (budget). Mahsun (2016:25), "Performance measurement is a process of assessing the progress of work against predetermined goals and objectives, including information on the efficiency of using resources in producing goods and services, the quality of goods and services, the results of activities compared to the desired intention and the effectiveness of actions in achieving goals".

Based on the opinions above, it can be concluded that performance measurement is an assessment to determine the performance achievement of an organization, because performance measurement is strengthened by establishing a reward and punishment system (reward and punishment system). The importance of performance measurement to assess the

accountability of organizations and managers in producing better public services. Accountability includes the ability to demonstrate how such public money has been spent economically, efficiently and effectively. One of the key factors of success of an organization is to have a reliable work measurement system.

The Local Government Financial Performance Measurement Tool uses an analysis of the ratio of regional finances to the Regional Revenue and Expenditure Budget (APBD) report. The results of the financial ratio analysis are then used to assess the Financial Performance of Local Governments, namely to measure the efforts of local governments in exploring budget sources.

Halim (2017) stated that local governments as parties assigned the task of running government, building, and community services are required to submit their regional financial accountability reports to be assessed whether local governments have succeeded in carrying out their duties properly or not. One of the tools to analyze the Financial Performance of Local Governments in managing their regional finances is to analyze the ratio of finances to the regional budget that has been determined and implemented.

Measuring Tools to Calculate Government Financial Performance

Performance measurement is used as a basis for conducting a performance appraisal, that is, to assess the success or failure of an organization, program or activity. Measuring spending performance is very important to assess government accountability in managing government finances. Accountability is not just the ability to show how public money is spent, but includes the ability to show that public money has been spent efficiently, effectively, and economically. Efficient means the use of public funds produces maximum output, Effective means that the use of the budget must achieve targets or goals for the public interest, and Economical means the selection and use of resources in a certain quantity and quantity at the lowest price level.

The Budget Realization Report is one of the main government financial accountability reports. Based on the Government Regulation of the Republic of Indonesia No. 71 of 2010 the Budget Realization Report presents an overview of the sources, allocation, and use of economic resources managed by the central/regional governments, which describes the comparison between the budget and its realization in one reporting period.

The objectives of the LRA (PP No.71 of 2010) include: (1) Establishing the basis for presenting a budget realization report for the government in order to meet the objectives of accountability as stipulated by laws and regulations, (2) Providing information on the realization and budget of reporting entities. The comparison between the budget and its realization shows the level of achievement of the targets that have been agreed between the legislature and the executive in accordance with laws and regulations.

Based on the information in the Budget Realization Report, we can make a budget analysis, especially the analysis of expenditure according to Mahmudi (2016), namely:

1. Analysis of Shopping Variance

Analysis of budget variance is carried out by calculating the difference between the realization of spending and the budgeted one. In the analysis of the difference in spending budgets, the main things that a report reader needs to do are:

- a) Seeing the difference between the budget and its realization both in nominal and percentage terms
- b) Establish a level of difference that is tolerable or considered reasonable.
- c) Assess whether the difference is significant when viewed from the total expenditure.
- d) Analyze the causes of budget differences.

$$\text{Analysis of spending variance} = \text{Budget} - \text{Realization of spending}$$

As for the criteria for assessing spending variance, the comparison measured by the criteria for measuring financial performance is:

Table 1. Shopping Variance Criteria

Shopping Variance Criteria	Size
Good	Realization of spending < Budget
Not Good Enough	Realization of spending > Budget

Source: Mahmudi (2016:155)

2. Analyze Spending Growth

Mahmudi (2016:158) spending growth is an increase or decrease in spending over a period of time. Shopping growth analysis is useful to find out the growth of spending from year to year. In general, shopping has a tendency to always go up. The reasons for the increase in spending are usually associated with adjustments to inflation, changes in the rupiah exchange rate, changes in the number of sufficient services, and adjustments to macroeconomic factors.

Mahmudi (2016:158) the formula for calculating spending growth is described as follows:

$$\frac{\text{Realization of Spending Year } t - \text{Realization of spending Year } t - 1}{\text{Realization of Spending Year } t - 1} \times 100\%$$

The criteria for assessing spending growth, are:

Table 2. Spending Growth Assessment Criteria

Spending Growth Assessment Criteria	A measure of Spending Growth
Climb	Positive
Go down	Negative

Source: Mahmudi (2016:158)

3. Shopping Compatibility Analysis

Mahmudi (2016:160) shopping harmony is the balance between shopping. The harmony of spending for local governments is useful in allocating the entire expenditure in accordance with the needs of the budget work plan. Based on this ratio, report readers can find out the portion of regional expenditure allocated for investment in the form of capital expenditure in the relevant fiscal year. Capital expenditures provide medium and long-term benefits are also routine. There is no definite benchmark for how much the ideal capital expenditure to APBD ratio is, because it is strongly influenced by the dynamics of development activities and the amount of investment needs needed to achieve targeted growth. Mahmudi (2016:162) in general the proportion of capital expenditure to expenditure is between 5 – 20%.

$$\text{Capital Expenditures} = \frac{\text{Total Capital Expenditures}}{\text{Total Spending}} \times 100\%$$

The criteria for assessing capital expenditure on total expenditure are:

Table 3. Assessment criteria

Assessment criteria	Proportion
Capital Expenditures to Total Expenditures	5-20%

Source: Mahmudi (2016:162)

4. Spending Efficiency Ratio

Mahmudi (2016:164), the ratio of spending efficiency is a comparison between the realization of spending and the budget. This spending efficiency ratio is used to measure the level of budget savings made by the government, in the form of this efficiency figure is not absolute, but relative. This means that no standard is considered good for this ratio. We can only say that this year local government spending has been relatively more efficient than last year. Local governments are considered to have carried out budget efficiency if the efficiency ratio is less than 100%, on the contrary, if it is more than 100%, it indicates that there has been a waste of budget.

Mahmudi (2016:164) the formula for calculating efficiency is described as follows:

$$\text{Spending Efficiency Ratio} = \frac{\text{Shopping Realization}}{\text{Budget}} \times 100\%$$

The criteria for assessing shopping efficiency are:

Table 4. Shopping efficiency assessment criteria

Shopping efficiency assessment criteria	Information
Less than 100%	Efficiency
More than 100%	No Efficiency

Source: Mahmudi (2016:164)

METHOD

This research is a quantitative descriptive research, namely by explaining the ways of collecting quantitative data that are accurate and actual and closely related to the problem studied by Sugiyono, (2016: 13). In this study, the author used descriptive research methods by analyzing documents by means of qualitative and quantitative approaches that will be used to obtain data, test analysis and conclusions.

The type of data that the authors used to conduct this study was secondary data. Sugiyono (2018:213) secondary data is data that is not given directly to the data collector, usually in the form of a document file or through someone else. This study uses secondary data because researchers collect information from data that has been processed and data sourced from reports that have been made by other parties. The secondary data in this study is in the form of financial statements of the Secretariat of the DPRD of West Sumatra Province year 2019-2020.

Data analysis technique according to Sugiyono (2018: 482) is the process of systematically searching and compiling data obtained from interviews, field notes, and documentation, by organizing data into categories, describing into units, synthesizing, compiling into patterns, choosing which ones are important and which are learned, and making conclusions so that they are easily understood by yourself and others.

Based on the type of data obtained by the authors in this study, the authors used quantitative methods to describe the results of the research conducted.

According to Sugiyono (2018: 15) it is called a quantitative method because the research data is in the form of numbers and analysis using statistics. The techniques and activities in data analysis in this study are to determine the level of effectiveness and efficiency in measuring financial performance at the Secretariat of the DPRD of West Sumatra Province in 2019-2020. Based on the account posts on the financial statements used, then make calculations to answer the problem formulation.

RESULTS AND DISCUSSION

The analytical tool used in analyzing budget performance in LKjP is by using a technique called ratio analysis technique. Conducting an assessment based only on a quantitative approach. The performance analysis of the West Sumatra Provincial DPRD was carried out by calculating the financial ratios of the West Sumatra Provincial DPRD for 2020 - 2021 by calculating the Effectiveness Ratio and Efficiency Ratio.

The following will be described as a summary of the Summary of Regional Revenue and Expenditure of the DPRD of West Sumatra Province in 2020 - 2021:

Table 5. Summary of Regional Revenue and Expenditure of the DPRD of West Sumatra Province in 2020 - 2021

No	Description	Year	
		2021	2020
1	Budget	139.716.477.762,00	143.939.713.844
	Shopping Realization	127.574.908.979,00	131.670.570.472,47
2	Realization of Year Spending t	127.574.908.979,00	131.670.570.472,47
	Realization of Year Spending t-1	131.670.570.472,47	137.446.684.403,13
3	Total Capital Expenditures	1.053.249.300,00	4.815.525.452
	Total Spending	127.574.908.979,00	131.670.570.472,47
4	Shopping Realization	127.574.908.979,00	131.670.570.472,47
	Budget	139.716.477.762,00	143.939.713.844

Source: Financial Report of the DPRD of West Sumatra Province

Based on the formula and components of the 2020-2021 West Sumatra Provincial DPRD Secretariat financial statements in the table above, the results of the Efficiency and Effectiveness assessment can be calculated and analyzed in measuring Financial Performance at the West Sumatra Provincial DPRD Secretariat for 2020-2021 with the assessment aspect of the financial statements which can be presented in the table as follows:

Table 6. Level of Effectiveness and Efficiency of Financial Performance of the Secretariat of the DPRD of West Sumatra Province in 2020-2021.

No	Information	Year	
		2021	2020
1	Shopping Variance	12.141.568.783,00	12.269.143.371,53
2	Shopping Growth	-3.11%	-4.20%
3	Shopping Compatibility	0.83%	3.66%
4	Shopping Efficiency	91.31%	91.48%

Source: Processed by the Author 2022

The results of the analysis of spending variance, for the 2020-2021 fiscal year, the difference in budget and its realization shows that there is a spending utilization of Rp. 12,141,568,783.00 and Rp. 12,269,143,371.53. The performance of the capital expenditure budget in 2020 and 2021 as seen from the analysis of expenditure variance in the performance of the Secretariat of the DPRD of West Sumatra Province is good because of the realization value of expenditure < the budget. In 2020-2021, the performance of expenditure variance has increased, this shows that the Secretariat of the DPRD of West Sumatra Province has been able to make good use of the planned capital expenditure budget. Because it has a fairly high difference

Analysis of spending growth has increased. It can be seen in 2020 which is 3.11% and in 2021 it is 4.20%. Although spending growth has increased, in 2020 and 2021 the growth in spending is negative. This is due to the realization of the capital expenditure budget has decreased. The cause of the decline in the capital expenditure budget is due to the lack of realization.

The results of the shopping harmony analysis, in 2020 – 2021 were 0.83% and 3.66%. For 2020 to 2021, the ratio of spending harmony has increased by 2.83%. Although the harmony of expenditure has increased, in general the proportion of capital expenditure to expenditure is between 5-20%. In 2020 the spending harmony ratio was 0.83% but the proportion was not between 5-20%. For 2021 the ratio has increased by 2.83% and the proportion is still unsettled at the limit of 5 - 20%. From the results above, the criteria for assessing the portion of capital expenditure harmony with regional expenditures at the Secretariat of the DPRD of West Sumatra Province are based on realization. The portion of capital expenditure to regional expenditures does not meet the specified criteria due to the suitability of the desired needs not according to the budgeted needs.

Judging from the results of spending efficiency in 2021, the spending efficiency ratio is 91.31% and 91.48% for 2020. If the resulting figure from the ratio is less than 100%, it is considered to have made spending efficiency. This shows that the expenditure efficiency ratio does not exceed 100%, this also proves that the Secretariat of the DPRD of West Sumatra Province has made savings on the budget. This is supported by the budget realization report, namely the realization never exceeds the budget every year because the realization must be in accordance with the adjusted budget budget. From the discussion above, the performance of the capital expenditure budget is seen from the efficiency ratio of expenditure performance.

CONCLUSIONS AND SUGGESTIONS

Conclusion

This study aims to determine the level of efficiency and effectiveness in measuring financial performance at the Secretariat of the DPRD of West Sumatra Province in 2020-2021 as seen from the analysis of spending variance, analysis of shopping growth, analysis of spending harmony and spending efficiency ratio. From the results of the calculation, it can be concluded as follows:

1. Financial performance seen from Shopping Variance Analysis

For 2020 - 20201, the performance has been good but the planned capital expenditure budget is not used properly and causes a very large difference between the budget and its realization so that the Secretariat of the DPRD of West Sumatra Province has not been able to make good use of its budget.

2. Financial performance seen from Spending Growth

Although spending growth has fluctuated and in 2020-2021 the growth is negative due to the decline in the capital expenditure budget due to the lack of realization. So the performance of the capital expenditure budget is seen from the growth of capital expenditures, the performance is not good.

3. Financial Performance Seen From Spending Harmony

In 2020-2021, the proportion of capital expenditure has not reached the usual portion. However, in 2021 it has increased and judging from the proportion of performance of the Secretariat of the DPRD of West Sumatra Province, it is said that it has not been able to carry out activities for the needs of its development activities because the portion has not been able to reach the portion in general.

4. Financial Performance is seen from the expenditure efficiency ratio

From 2020-2021, the realization of the capital expenditure budget has not exceeded the capital expenditure budget, this shows that the Secretariat of the West Sumatra Provincial DPRD has made savings on the budget and this is also supported that the budget realization must be in accordance with the budget provided, so the performance is said to be good.

Suggestions

From the existing conclusions, several suggestions, implications and limitations can be given as follows:

1. For the performance of the capital expenditure budget of the Secretariat of the DPRD of West Sumatra Province in order to improve performance in managing regional expenditure budgets, especially capital expenditures so that the implementation of the duties and internal control functions of each element can run well, effectively and efficiently.
2. The Secretariat of the DPRD of West Sumatra Province must improve the performance of spending that is already good because the realization does not exceed the budget, taking into account the budget and its realization.
3. The Secretariat of the DPRD of West Sumatra Province must pay attention to the performance in managing regional expenditures from the APBD received.
4. For further research, it is expected to be more detailed in analyzing the performance of the Secretariat of the DPRD of West Sumatra Province. And should increase the year used at least 5 years according to the term of office of members of the Secretariat of the DPRD of West Sumatra Province so that they can analyze the entire financial performance budget so that they can get better results.

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