

**THE EFFECT OF REPORTING SYSTEM AND CLARITY OF BUDGET TARGET ON ACCOUNTABILITY BASED PERFORMANCE OF GOVERNMENTAL AGENCIES (STUDY ON ACEH GOVERNMENT WORK UNITS, ACEH PROVINCE, INDONESIA)**

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**ABSTRACT**

The purpose of this study is to determine the effect of reporting system and clarity of budget targets on accountability based performance of Aceh Government Agencies. The population in this study is the Aceh Governmental Work Units.

The population of this study is Aceh Government Work Units which consist of Head of Section, and Head of Division who participated in the preparation of the government budget. The research employs Multiple Linear Regression Model as an analytically statistical tool and SPSS software for data processing.

The outcome of research revealed that the reporting system and clarity of budget targets have a significantly simultaneous effect on the accountability based performance of the Government of Aceh. Meanwhile, tested partially, either reporting system or clarity of budget targets has a partially significant effect on the accountability based performance of Aceh Government agencies. It also indicated that the reporting system has more dominant influence on the performance of the units. In the preparation of the budget it is thus required to establish high degree of clarity of the budget goals so as to the budget distributable throughout all departments of effectively.

**Keywords:** Reporting System, Budget Target Clarity, Accountability Based Performance, Work Units, and Aceh Government

## **INTRODUCTION**

Accountability is a provision of information and disclosure of activities and financial performance of interested parties of government to its stakeholders (Halim, 2004). With such provision and disclosure, both the central government and the local government must be willing and able to provide any required information of their activities and financial performance that are accurate, relevant, timely, consistent and reliable. The provision of information and disclosure of financial performance are in the framework of fulfilling the rights of the people, namely the right to obtain information, the right to be heard of aspirations and opinions, rights for explanation, and right to hold accountable. In regards to accountability, the government needs to pay attention to several matters which include budgeting, accounting controls, effectiveness of budget execution and reporting system.

The phenomenon associated with accountability based performance is that the accountability is still low not only in national level, but also in provincial levels, which creates financial management issues. To anticipate as well as curb such problem Aceh Government in this case the civil employees are required to improve performance on accountability so as to pursue good governance competencies which will allow the government to deliver public goods and services for the society. Similarly, the local government is required to upgrade their capacity towards making changes desired by their people (Nurhalimah, 2013).

According to the calculation and analysis of the performance of Aceh provincial government by way of comparing between the performance plan with the level of realization, it turns out that the level of performance achievement of the activities and targets set by the government is beyond the plan, as so observed and reported by MATA. This generates bias of the level of tendency in conducting the assessment of the performance, or in other words, the performance evaluation result is subjective. This is clearly visible from the huge gap between the expenditure and budget. As widely known for example, 2015 budget, it was only left one month and half after the budget approval for the budget to be spent. This suggests that the Aceh Government has to work harder to realize the budget every year faster.

## **LITERATURE REVIEW**

### **Accountability**

Accountability is the obligation to provide or to answer and explain the performance and actions of an individual/body/legal/collective leadership of an organization to a party whose right or authority to receive information or accountability. According to Mardiasmo (2005: 21) accountability is a broader concept of stewardship. Stewardship refers to the management of an

activity economically and efficiently without the reporting responsibility, whereas accountability refers to an accountability by a stewardee to the the assignor of the responsibility.

Mardiasmo (2005: 21) claims that accountability is a more difficult concept to achieve than to eradicate corruption. The realization of accountability is a major goal of public sector reform. Public accountability demands require the public sector agencies to emphasize more on horizontal accountability than the vertical one.

### **Performance**

In Indonesian Great Dictionary (2002: 570) performance is interpreted as achievement of something and demonstrated achievement or shown work ability. Performance is also referred to as achievement of an organization in a certain period. Furthermore, Lazzaro and Brush (2001: 229) define performance as similar to measurement, which means an essential comparison between one standard and achieved result through the exertion of physical and mental effort. Performance measurement presents a basis for determining the extend of progress and improvement in productive attempts by comparing what is being done.

### **Clarity of Budget Targets**

Abdullah (2005) and Nuraini and Indudewi (2012) reveal that the clarity of budget targets, accounting controls, and reporting systems all have an effect on AKIP. The short time provision for the budget discussion makes the policy makers difficult to do their job effectively. This often causes mistakes, wrong targets, and tendency to refer to last year targets which are no longer relevant with the current/future needs. The measurement of performance in Government Agency Accountability Based Performance Report (Laporan Akuntabilitas Kinerja Instansi Pemerintah, LAKIP) is conducted by using Performance Gap method, which is done by comparing between work plan and achievement of each activity which includes input, output, outcome, benefit, and impact. These component are assessed through a systematic and continuous process to see the level of success or failure of a program and activity. Nevertheless, the benefit and impact indicators are relatively difficult to measure.

### **Reporting System**

Bastian (2010: 297) defines performance reporting as "a reflection of the obligation to present and report the performance of all activities and resources to be accounted for. This reporting is a manifestation of the process of accountability based performance". Each government agency is obliged to draft, plan and submit financial reports in writing, periodically and institutional based. The financial statements of the government entities represent the financial position of the transactions committed by the government institutions.

### **Clarity of Budget Targets**

The clarity of the budget targets is the degree to which the budget objectives are clearly defined and specific with the goals that the budget can be understood by the person responsible for achieving them (Suharono and Solichin, 2006). The financial management of the local government cannot be separated from their budget. This is in line with the opinion of Mardiasmo (2005) which states that the form of regional autonomy is the benefit of resources that are utilized economically, efficiently, effectively, equitably and evenly to assure public accountability. Budget is needed for a well management of the resources to achieve performances expected by the society as well as to create accountability to them.

### **Hypotheses**

Ha1 : The reporting system and clarity of Budget targets concurrently affectly the accountability based performance of the Aceh government performance.

Ha2 : Partial reporting system has an effect on Aceh government accountability based performance.

Ha3 : Clarity of budget targets partially affects the Aceh government accountability based performance.

### **RESEARCH METHODS**

The population of this study is the Aceh Government Work Units which consist of Kabag and Kabid that partake in the drafting of annual government budget. Used model is Multiple Linear Regression. From the conceptual and operational framework of variables as previously mentioned, Multiple Linear Regression models are used with the following equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Notes:

Y = Accountability based Performance of Aceh government

$\alpha$  = Constants

$\beta_1, \beta_2$  = Regression coefficients

X<sub>1</sub> = Reporting system

X<sub>2</sub> = Clarity of budget targets

$\varepsilon$  = Error Terms

## **RESULTS AND DISCUSSION**

From the research results the final equation estimator obtained is  $Y = 0,023 + 0,607 X_1 + 0,387 X_2$ . This equation implies that:

- Constant of 0,023 means that if the reporting system variables and clarity of Budget targets are constant, the accountability based performance of Aceh government work units is 0.023 percent.
- If the reporting system variables change by 1 percent it will affect the increased accountability of the government work units performance by 0.607 percent with the assumption that the variable clarity of the budget targets is considered fixed.
- If the clarity variable of the budget targets has increased by 1 percent then it affects the increase of accountability based performance of the agencies by 0.387 percent with the assumption that the reporting system variables are considered constants.

Simultaneous tests are conducted to know if there is influence of the independent variables on the dependent variable which show that influence of the independent variables on the dependent variable exists. The results shows that the regression coefficient for all independent variables in this study is not equal to zero ( $\beta_1 = 0,607$ ,  $\beta_2 = 0,387$ ). This illustrates that the reporting system and clarity of budget targets simultaneously have a significant effect on the accountability based performance of the government work units.

The correlation coefficient (R) of 0,992 means that the reporting system and clarity of budget targets have a close relationship with the accountability performance of the government institutions that is 99.2 percent. The determinant coefficient ( $R^2$ ) of 0,984 indicates that the reporting system and the clarity of budget targets influence the accountability of the performance of the work units by 98,4 percent and the rest of 1.6 percent influenced by other variables outside this research model.

Evidence of the variables of the reporting system and clarity of budget targets on the performance of the government agencies are then partially tested. The results obtained are as follows:

- For reporting system variable regression coefficient obtained is 0,607 ( $\beta_1 \neq 0$ ) which means that the partial reporting system has a significant effect on the accountability based performance of Aceh government work units.

- For clarity budget targets variable the obtained regression coefficient is 0,387 ( $\beta_1 \neq 0$ ) suggests that partial reporting system variables significantly significant effect the accountability based performance of Aceh government work units.

## **CONCLUSION**

1. The reporting system and clarity of budget targets simultaneously have a significant effect on the accountability based performance of Aceh government work units.
2. The partial reporting system has a significant effect on the accountability based performance of Aceh government work units.
3. The clarity of budget targets partially has significant effect on the accountability based performance of Aceh government work units.
4. The reporting system is more dominant in its influence on the accountability based performance of the Aceh government work units.

## **RECOMMENDATIONS**

1. It is expected that Aceh government work units in the future pay more attention to clarity of budget targets in the drafting of their annual budget. As so shown by this study results that the smallest coefficient of influence on the accountability based performance of the work units of Aceh government is the clarity budget targets. Obviously it is hoped that this variable will have greater effect on the accountability based performance of the government agencies in following years.
2. In drafting of budget it is recommended to ensure high level of clarity of the budget targets so they can be distributed well on varying work units of the government.

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