

The Effect of Budget Implementation on Financial Performance Mediated By Budget Supervision at the Navigation District Office Class I Ambon

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ABSTRACT

The purpose of this study was to determine and analyse the direct effect of budget implementation on financial performance at the Ambon Class I Navigation District Office To determine and analyse the direct effect of budget supervision on financial performance at the Ambon Class I Navigation District Office. To determine and analyse the indirect effect of budget implementation on financial performance through budget supervision at the Ambon Class I Navigation District Office. The sample of this study is the employees of the Navigation District Office Class I Ambon researchers limit as many as 35 employees related to the implementation. From the results of research and discussion, it can be concluded that for both variables, the direct effect is proven that budget implementation significantly affects budget supervision and at the Ambon Class I Navigation District Office, and budget implementation affects financial performance and at the Ambon Class I Navigation District Office. While the indirect effect does not have a significant effect, or in other words there is no effect of Budget Implementation (X) on Financial Performance (Y) through Budget Supervision (Z).

Keywords: Budget Implementation, Financial Performance, and Budget Supervision

Date of Submission: 03-03-2025

Date of acceptance: 16-03-2025

I. INTRODUCTION

Budget execution involves more people than preparation and takes into account feedback from actual experience. Therefore, budget execution must: (a) ensure that the budget will be implemented in accordance with the authorisations given in both financial and policy aspects; (b) adjust budget execution to significant changes in the macro-economy; (c) decide on the existence of a budget; and (d) ensure that the budget is implemented in accordance with the authorisations given.

Good financial management includes planning, budgeting, implementation, administration, reporting, accountability, and supervision. All of these aspects must be carried out properly to achieve optimal financial performance. The financial performance of Regional Apparatus Organisations (OPDs) is critical in ensuring that local government runs efficiently.

Government performance can be said to be good can be seen from the achievement of performance results that are implemented in real and maximum and achieved in accordance with the vision and mission of the organisation that has been set. In Indonesia, a region is given the authority to manage its own region called regional autonomy. Trust in the management of this region makes performance in the implementation of government in the public spotlight. A region can be said to be independent if it is able to organise government in its region or is able to organise good regional autonomy has characteristics and capabilities in the field of regional finance.

Based on Government Regulation Number 12 of 2019 article 1 paragraph 2 concerning regional financial management defines it as all activities or activities that include planning, budgeting, implementation, administration, reporting, accountability and regional supervision. Suryani and Robinsyah (2022) state that with good regional financial management, it will have an impact on good regional financial performance. Accountability in regional financial management is an obligation for government agencies, so that the performance of these agencies can be known. In the accountability of regional financial management, each agency is expected to be carried out accountably and transparently, so that the performance assessment can illustrate the proper condition of the agency.

II. THEORY

Performance evaluation was born as one of the functions of implementing performance management or often known as performance management. Performance management is a method to measure the progress of programs or activities carried out by public sector organisations in achieving the results or outcomes expected by clients, in this case called the community. Performance management is also defined as a systematic approach to improving performance through a continuous process of setting strategic performance targets, measuring performance, collecting, analysing and reporting performance data and using the data to drive performance improvement. To keep the budget implementation in accordance with the development programme and run according to the applicable procedures. So in performance management the process of monitoring and evaluation is needed. Monitoring means the collection, analysis, reporting and use of information to achieve predetermined goals. Monitoring is often equated with evaluation. However, in reality monitoring and evaluation can be separated based on scope, time, actors, objectives and objects of measurement.

The financial performance of an organisation or company is often mediated by budgetary control for several main reasons, namely Control of Expenditure and Efficiency where budgetary control ensures that every expenditure is in accordance with the plan and budget that has been set. This prevents wastage and ensures efficient allocation of funds for each operational activity. Furthermore, with budgetary control, each unit in the organisation is held accountable for the use of its allotted funds. This increases transparency in financial management and prevents budget misuse.

Monitoring is carried out on the implementation process, but not on the results of development. When monitoring is carried out from the beginning to the end of the activity, the party conducting the monitoring is generally the internal party responsible for the implementation of the development programme. The purpose of monitoring is to prevent deviations and the object of measurement is between plan and implementation.

Regional budget supervision is carried out to minimise regional budget leakage, with orderly accounting methods and regional financial supervision methods in accordance with applicable legislation. Supervision of implementation is necessary to ensure that all public policies related to the budget cycle are implemented in accordance with applicable laws and regulations and are orientated towards public priorities. However, before reaching the implementation stage, board members must have knowledge of the budget so that later when supervising budget implementation, board members can detect whether there are leaks or irregularities in budget allocations. Anugriani's research results (2014) in showing that supervision has a positive effect on budget performance. The same findings were obtained through Suparno's research (2012) that supervision has a significant effect on budget execution performance. Based on the description above, the authors propose a hypothesis that supervision has an influence on the performance of budget implementation because budget supervision is carried out to minimise budget leakage, with orderly accounting methods and regional budget supervision methods in accordance with the law to be effective and efficient in each regional work unit.

III. METHODOLOGY

The data analysis technique uses Path analysis. The data collected for analysis is primary data in the form of a questionnaire, so it is necessary to tabulate and test data quality with the following research model:

$$Y = Pyx + Pyz + e$$

$$Y = Pzx + Pzy + e$$

Where Pyx is the first hypothesis, Pyz is the second hypothesis, and $Pzx + Pzy$ is the third hypothesis. e is the error factor. Data Quality Test in accordance with the problems that are the subject matter of the author's research, the type of research the author uses validity and reliability testing.

IV. RESULT

From the results of research and discussion, it can be concluded that for both variables the direct effect is proven that Budget implementation significantly affects budget supervision and at the Ambon Class I Navigation District Office, and Budget implementation affects financial performance and at the Ambon Class I Navigation District Office. While the indirect effect does not have a significant effect, or in other words there is no effect of Budget Implementation (X) on Financial Performance (Y) through Budget Supervision (Z).

The R^2 value of budget supervision of 0.221 indicates the influence of budget implementation on the budget supervision variable by 22.1% while the remaining 77.90% is influenced by other variables not discussed in this study. Then the R^2 value of budget implementation of 0.414 indicates the influence of budget implementation on financial performance variables by 41.40% while the remaining 58.60% is influenced by other variables not discussed in this study.

V. CONCLUSION

Some suggestions that can be conveyed in research referring to the three indicators that are excluded from the model, and indirect effects that are not significant, researchers do not see the direct effect of budget supervision on financial performance, out showing no effect of budget supervision on financial performance, therefore the indirect effect must not have an effect. So that suggestions that can be conveyed include:

- 1). Good budget implementation must be supported by a clear transparency system. With openness in budget use, supervision can be carried out more effectively, so that the risk of irregularities can be minimised.
- 2). To ensure that budget implementation goes according to plan, strict supervision is needed through an adequate internal control system. Strengthening internal controls will increase the effectiveness of supervision and prevent misuse of funds.
- 3). Strengthening Evaluation and Feedback Mechanisms, where periodic evaluation of budget execution is essential to determine whether the budget has been used effectively and efficiently. Good feedback mechanisms are also needed to correct weaknesses found in budget monitoring.

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