

EFFECTIVENESS OF FINANCIAL MANAGEMENT OF MALAKA DISTRICT LEADING TO UNQUALIFIED OPINION

Irene Noviasalalita, Petrus Kase, and Petrus E. de Rozari
Administrative Sciences Graduate Program of the University of Nusa Cendana
Kupang - East Nusa Tenggara
E-mail: Irenelalita88@gmail.com

ABSTRACT

Concrete efforts to achieve transparency and accountability in financial management are to prepare financial statements as a form of public accountability. The financial statements are audited by the Supreme Audit Agency, later given as statement of professional opinion about the level of fairness of the information presented. This study aims to measure the effectiveness of the financial management of the District of Malaka and to identify supporting factors and obstacles in achieving an unqualified opinion. The results showed that the financial management of the District of Malaka has not been effective. Factors supporting the effectiveness of financial management that achieves an unqualified opinion are: the government's financial statements that have been prepared by Malaka District Government Accounting Standards; the adequacy of information, legislation-based, and implementation of internal control systems supported by the Regional Management Information System accrual basis. The limiting factors are the low quantity and quality of financial management of human resources, the disclosure of fixed assets not fully presented, and not fully documented aspects of the implementation of the internal control system at each unit's financial manager. It is suggested that consideration of the recommendations of the CPC and a shared commitment to the completion of the follow-up inspection results, performing realignment of the apparatus of human resources in quantity and quality, and continuous dissemination to improve understanding of financial management apparatus of internal control systems be always taken into account.

Keywords: effectiveness, financial management, financial reports, unqualified opinion

INTRODUCTION

Darise (2009; 18) said that the success of financial management have a direct impact on the success of regional autonomy and a large share in the efforts to achieve good governance.

Government financial statements drawn up by the central government or local government is a form of public accountability to the public that shows accountability for the use of financial funds from the State. Based on Law No. 15 Year 2004 concerning Financial Responsibility of State and Law Number 15 Year 2006 regarding the Audit Board, which has the authority to audit the management and financial responsibilities of the State carried out by the central government and local governments, as well as providing opinions the financial statements have been examined is the BPK.

The quality of the accountability of the government's financial statements are

measured based on the opinions given by the BPK. Based on the explanation of the Law No. 15 of 2004 Article 16, paragraph (1) there are four types of opinions that can diberikanyaitu unqualified opinion (unqualified opinion), opinions Fair With Exceptions (qualified opinion), opinions Unnatural (adversed opinion) and statements refused to give opinion / no opinion (disclaimer of opinion).

With the achievement of an unqualified opinion (WTP) or unqualified opinion by a government, it can be judged that the quality of government financial reports was supposed to provide information that is free from material misstatement. Electoral District of Malaka as research objects based reasons due to 2018 financial management Malaka Regency has not been able to achieve an unqualified opinion.

The purpose of this study was to measure the effectiveness of the financial management of the district of Malaka and identify supporting factors and obstacles in achieving an unqualified opinion.

This research had previously been done by Arum Yuliandre in 2016 which found that the factors supporting the achievement of WTP opinion is the availability of an application, the more structured asset management, preparation of appropriate LKPD SAP and ease of access to inspection. While the factors that hinder the achievement of WTP opinion is the problem assets, human resources issues and problems of application. In contrast to research conducted by Agnes kidi Mudamakin Unlike in 2017, the researchers focused on the factors supporting the achievement of the PAPs and effort in maintaining WTP opinion. Agnes found that the factors supporting the achievement of WTP opinion that is to follow up on the recommendation of the CPC, a review by the inspectorate, management commitment, coordination between units, supervision and sanctioning.

The only difference between this study with both previous research is both loci previous research has equally reached WTP, while this study takes the locus is the District of

Malaka which has not reached the PAP, so that the two previous studies did not examine the effectiveness of financial management in order to achieve WTP opinion ,

MATERIALS AND METHODS

1. Effectiveness

Mardiasmo (2002; 134) effectiveness is a measure of success or failure of an organization to achieve its objectives. When an organization successfully achieve the objectives of the organization is said to have run effectively.

Mahmudi (2007; 129) the effectiveness of financial management can be analyzed using the ratio between the realization of local revenues with the target set in the Budget Revenue and Expenditure.

$$\text{effectiveness Revenue} = \frac{\text{Realized revenues PAD}}{\text{Target Acceptance PAD}} \times 100\%$$

To obtain a better measure the effectiveness of the calculation of income needs to be juxtaposed with the calculation of the effectiveness of expenditure that shows how much the effectiveness of an implementation to do a comparison between actual expenditure (expenditure) with the expenditure targets.

$$\text{effectiveness of spending} = \frac{\text{Realization Expenditure}}{\text{Target Shopping}} \times 100\%$$

2. Financial management

Halim (2012; 24) financial management implies that the overall activities include planning, implementation, administration, reporting, accountability and financial control area.

This study will focus on the stages of accountability in the area of financial management, namely with the formulation of Local Government Finance Report (LKPD), examination by the Local Government Finance Report Audit Board obtain it up in the opinion of the Audit Board.

3. Financial statements

The mechanism of the preparation of the financial statements of local government stipulated in Article 21 of Law Number 32 Year 2003 on State Finance and Article 184 of Law Number 32 Year 2004 on Regional Government and Article 102 of Government Regulation No. 58 Year 2005 on Regional Financial Management, said the head of SKPD as the budget users organize accounting on financial transactions that are within his responsibility and prepare financial statements consisting of the budget Realization report (LRA), Balance Sheet and Notes to financial statements (CaLK).

Darise (2009: 279-279) a financial statement if the quality is said to meet four criteria:

- a. It is when the relevant information contained in the financial statements could affect the decision by helping them evaluate the events of the past or the present and predict the future, as well as affirm or correct the results of their evaluation of the past.
- b. And also namely if the information in the financial statements are free from the notion of misleading and material errors, presenting any facts in an honest and verifiable.
- c. Can be compared. Information contained in the financial statements would be more useful if it can be compared to the prior year financial statements or other reporting entity's financial statements in general.
- d. It was understood that if the information presented in the financial statements can be understood by the user and is expressed in the form and terms that are adjusted to limit the users understanding.

4. Unqualified Opinion

Darise (2009; 379) Unqualified Opinion is the opinion to be given by the examiner if not encountered any restrictions on the scope of the audit and there are no exceptions significant regarding the fairness and application of accounting principles in the preparation of the financial statements, the consistency of application of accounting principles and the disclosure of adequate in the financial statements. Fair word has meaning: (1) free from doubt and dishonesty; (2) complete information.

METHOD

The study used a qualitative descriptive approach with consideration in order to assess the problems that occur in the opinion achievement. This type of research in the form of a case study focusing on the topic of financial management effectiveness and consider cases of financial management of a few years earlier. The data collection technique using document study, interview and observation.

The research location in the district of Malaka and more on the Financial Management Board and the Regional Income as agencies that manage local finances and the Regional Inspectorate as an institution which is authorized as an internal watchdog Malaka local government district.

RESULTS AND DISCUSSION

1. Overview Location Research

District of Malaka is a new expansion districts are legally established by Act No. 3 of 2013 dated January 11, 2013 on the Establishment of Malaka districts in East Nusa Tenggara Province. The astronomical situated at 124°- 88° East Longitude and 90°-10.26°South latitude, with an area of 1160.63 sq km consists of 12 districts and 127 villages, of which 28 of them lies the coastal region. Based on the geographical location of Malaka District

boundaries: North boundary with the Belu district, East boundary with the State Democratic Republic of East Timor, South boundary with Timor Sea and the western boundary with North Central Timor and South Central Timor regency. While geopolitics, Malaka district directly adjacent to the territory of the Republic Democratic Timor Leste (East Timor) and the Australian Region.

2. Effectiveness of Financial Management District Malaka

Table 1. Effectiveness Income Years 2015-2017 (in thousands)

No	Year	budgets (USD)	Realization (USD)	Effectiveness (%)	Criteria
1.	2015	615 652 148	595 360 001	96.7	Effective
2.	2016	755 150 180	658 502 838	87.2	Effective enough
3.	2017	835 270 274	823 512 988	98.5	Effective

Source: District Budget Realization Report Malaka in 2015- 2017 (processed data)

During the financial period 2015 to 2017, the ratio of the effectiveness of local revenue Malaka Regency fluctuation. In 2015, the ratio of the effectiveness of revenue to be in effective criteria, amounted to 96.7%, but a decline in the following year amounted to 87.2% with the criteria sufficiently effective. In 2017 there was an increase effectiveness ratio amounted to 98.5% of income, the effective criteria. Although the effectiveness ratio of income in 2015 and 2017 in the criteria equally effective, but the effectiveness ratio in 2017 1.9% higher than in 2015.

Basically, the average ratio of the effectiveness of the overall revenue Malaka Regency is located on the criterion of effective and quite effective. From these data, provide information regarding the efforts of the District Government of Malaka to maintain and improve financial management in the effective ratio by maximizing revenue from PAD sources. Conditions effectiveness Malaka Regency income will affect positively on efforts to achieve WTP opinion.

Table 2. Effectiveness of Spending Years 2015-2017 (in thousands)

No	Year	budgets (USD)	Realization (USD)	Effectiveness (%)	Criteria
1.	2015	678 968 698	502 393 102	73.9	Effective
2.	2016	893 937 372	705 984 765	78.9	Effective
3.	2017	915 295 420	826 431 213	90.2	Less effective

Source: District Budget Realization Report Malaka in 2015-2017 (data processing)

Shopping districts effectiveness ratio of Malaka each year, from 2015 to 2017 decline. 2015 to 2016 decreased by 5%, while the 2016 to 2017 decline even greater, amounting to 11.3%. From the standpoint of the effectiveness of the expenditure, if the greater its effectiveness ratio less effective then spending the financial management of an area, that is not seen their efforts to reduce the number of ratios in the management of expenditure in the District of Malaka.

Such conditions will negatively in an effort to improve the effectiveness of financial management in order to achieve the Malaka District WTP opinion.

3. Factors supporting and effectiveness of financial management district area of Malaka to Unqualified Opinion

Supporting factors :

- a. Financial Statements District Government of Malaka has been carried out in accordance accrual Government Regulation No. 71 of 2010 concerning the Government Accounting Standards.
- b. Financial Statements Malaka District Government has provided sufficient information on the description of the financial position and the whole transaction is done which is described starting from the calculation of the balance sheet, the realization of the budget, cash flow as well as narrated in the notes to the financial statements.
- c. Financial Statements of Regency Malaka compiled based on the legislation in force at the time. The latest legislation is always socialized until at the unit level financial

managers in the device area to minimize deviations administration.

- d. Malaka District has implemented the Internal Control System in the Government of the District of Malaka.
- e. Financial management Malaka Regency since 2016 has used the Regional Management Information System (SIMDA) already accrual.
- f. District Government of Malaka has established a consultation clinic monitoring through the decree of Malaka number 31 / HK / 2018 on the Establishment of Clinical Consulting Supervision and a decree of Malaka number 211 / HK / 2018 on Personnel Team Consultancy Clinic Supervision, for the purpose of early warning systems and consulting in oversight of financial management and local governance processes.
- g. Woke up communication and coordination among entities intensive and regular accounting and reporting entities within the scope of the district government of Malaka, especially for a solution to the constraints faced in the financial management and presentation of financial statements as well as the local government to review the periodic financial reports.

Obstacle factor :

- a. The quantity and quality of human resources resource management.
- b. Disclosure asset Malaka District Government has not presented in full.
- c. Not yet fully documented aspects of the implementation of the Internal Control System (SPI) on each SKPD, causing difficulties for the Assessment Team in assessing the SPI maturitas on each SKPD and the district government of Malaka.

DISCUSSION

District of Malaka as a new district which began running independently of financial management in 2014, respectively, the acquisition of opinions of the CPC:

- a. LKPD fiscal year 2014: a disclaimer opinion
- b. LKPD fiscal year 2015: a disclaimer opinion
- c. LKPD fiscal year 2016: opinions Fair With Exceptions
- d. LKPD fiscal year 2017: opinions Fair With Exceptions

Table 3. Results of Investigation Against LKPD Malaka Regency Year 2014-2017

NO	INVESTIGATION FINDINGS	POS FINDINGS
LKPD Fiscal Year 2014		
1.	Teacher professional allowance	Employee expenditure
2.	Financial assistance is not appropriate budgeting SAP	Shopping Goods and Services
3.	Expenditure not been supported	Cash on Treasurer
4.	Realization without accountability believed	Cash on Treasurer
5.	The cash balance is not believed to value due to the postal counter	Cash on Treasurer
6.	Malaka regency has not posted mutations supplies	Stock
7.	Malaka Pemkab yet fixed asset inventory	Fixed asset
LKPD Fiscal Year 2015		
1.	LKPD preparation of TA 2015 is inadequate	Regional cash
2.	Asset management remained orderly	Fixed asset
3.	LKPD not present revenues, expenditures, the remaining funds and assets still BOS funds received	Revenues, Expenses Employee, Shopping
LKPD Fiscal Year 2016		
1.	Inadequate inventory management	Stock
2.	Inadequate administration of fixed assets	Fixed asset
3.	Administration of BOS funds are not presented in the financial statements	Operating Income and Expenditure
LKPD Fiscal Year 2017		
1.	Weakness in the fixed asset accounting presentation	Fixed asset

Source: LHP LKPD Malaka Regency Year 2014-2017 (data processing)

The results of the government's financial statements showed Malaka Regency account the findings of 2014 and 2017 has decreased. In 2014, there were 7 account the findings, in 2015 and 2016 there are 3 account the findings and the last in 2017 left only one account findings, which still hinder the achievement of WTP opinion by the district government of Malaka. From all accounts the findings, there is a recurring findings account is the account the findings of fixed assets.

CONCLUSION

Based on the results of research and discussion, we can conclude:

1. Financial management district of Malaka to unqualified opinion is not effective because there is still one account repeated findings from 2014 to 2017, the weaknesses in the accounting presentation of fixed assets.
2. Factors supporting the effectiveness of financial management achieve WTP opinion is the government's financial report Malaka Regency has been prepared based on government accounting standards, sufficient information, follow the legislation and has implemented internal control system, has been endorsed by the Information Management System Region accrual basis, has established clinics consulting supervision, establishing intensive communication and coordination sphere of the District Government of Malaka and conduct periodic review
3. Limiting factor in achieving the WTP opinion is the low quantity and quality of financial management of human resources, fixed asset disclosure is not presented in full, not yet fully documented aspects of the implementation of the internal control system at each unit's financial manager.

SUGGESTION

1. Noting the recommendation of the CPC and a shared commitment to the completion of the follow-up examination.
2. Doing the realignment of the apparatus of human resources in quantity and quality.
3. To disseminate ongoing to improve understanding of financial management apparatus of internal control systems.

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