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Sharpening the Role of Public Sector Budgeting as a Planning and Control Tool at the Ministry of Religious Affairs of West Nusa Tenggara Province

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Abstract

This research aims to explore how the role of budgeting as a planning and control tool in the Ministry of Religious Affairs of West Nusa Tenggara Province. This research uses a qualitative study, where this research is conducted in order to conduct a review of the public sector budgeting process as a planning and control tool at the Ministry of Religious Affairs of NTB Province. The method used is content analysis. The results of this study concluded that the implementation of a performance-based budget system in the Office of the Ministry of Religious Affairs of West Nusa Tenggara has been implemented well in accordance with government policy, however, the results obtained still need to be improved continuously in order to respond to the increasingly high demands of public services.

Keywords : Planning Tools, Control, Budget, Performance Based.

INTRODUCTION

Fiscal policy is one of the policies in the economy which is carried out by the government through the instrument of the State Budget (APBN). APBN is a financial plan or instrument to regulate state expenditure and revenue in order to finance the implementation of government and development activities in order to achieve economic growth and increase national income and also achieve economic stability to determine the direction and priorities of development in general (Nyoman Sri Ayu Lestari et al., 2018).

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Reform in the field of state financial management, especially in the planning and control system, has brought many fundamental changes in its implementation. Where the planning and control system for public sector budgeting in Indonesia has changed with the enactment of (Peraturan Pemerintah Republik Indonesia Nomor 17 Tahun 2003, 2003; Peraturan Pemerintah Republik Indonesia Nomor 25 Tahun 2004, 2004). Law No. 17/2003 contains state finances and also explains the changes in the budget system from a traditional budget system to a performance-based budgeting system, and Law No. 25/2004 contains a national planning system that outlines national planning.

(Peraturan Pemerintah Republik Indonesia Nomor 17 Tahun 2003, 2003; Peraturan Pemerintah Republik Indonesia Nomor 25 Tahun 2004, 2004) further detailed by Peraturan Pemerintah Republik Indonesia Nomor 20 Tahun 2004 on Government Work Plan (RKP), and Peraturan Pemerintah Republik Indonesia Nomor 21 Tahun 2004 on the Preparation of Work Plans and Budgets of State Ministries/Institutions (RKA-KL) which integrates the development planning process with the budgeting process. In the implementation of the Performance-Based Budgeting System, Article 15 of Government Regulation No. 21/2004 is implemented in stages starting from the 2005 fiscal year, with stages of implementation of the reform process within a period of five years, namely until 2010. Starting from 2005 until 2010, 2009 is the midlle term of the implementation period of performance-based budgeting (ABK).

Budget Participation is the participation of operating managers in deciding together with the budget committee on a series of future activities that will be pursued by operating managers in achieving goals. From the above definitions, the budget has four basic functions, namely the functions of Planning, Organizing, Actuating, and Controlling. Of the several budget functions above, the planning function is one of the management functions which is the basis for the implementation of other management functions while the control function is closely related to efforts to ensure that every resource in an organization / government agency has worked effectively and efficiently.

The level of success of budgeting can be shown by the balance between income and expenditure if there is a budget deficit and surplus, meaning that the implementation is declared a failure. From this, the idea is formed that budget absorption and revenue realization must be (100%) so that there is no surplus or deficit without regard to effectiveness and efficiency.

Financial management is carried out effectively and efficiently, because it is related to regional revenue, but not all can match or reach the previously determined target.

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Therefore, with financial management that is not yet effective and efficient, it needs to be optimized again so that management becomes better.

Based on the above, this study aims to explore the role of budgeting as a planning and control tool within the Ministry of Religious Affairs of NTB Province. Government budgets can allocate limited resources to promote socio-economic development, ensure sustainability and advance people's lives. Budgets are a means of proving the government's responsibility to the public (Isaac et al., 2015). Local governments are obliged to act optimally to promote the welfare of the community and accountability to the public for budgets that are carried out efficiently and effectively. The APBD must explain the amount of financing for various goals to be achieved, tasks, and main functions in accordance with the conditions, potential, aspirations, and needs of the community in a particular year (Ferlie & Ongaro, 2022).

THEORETICAL OVERVIEW

Public Sector Budget Theory

A key component of planning is the budget which is the future financial plan of the entity that identifies the goals it wants to achieve. A budget is a plan made in writing by an organization within a certain period of time which is expressed quantitatively or set with numbers along with the activities to be carried out (Nafarin, 2000). This budget is generally made in monetary units of a country or can also be expressed in units of goods and/or services that are generally used. A budget is an organization's financial plan that is used as a basis for financial control for the upcoming period (Supriyono, 1990). Regarding usefulness, it is stated that the budget has several benefits, including the budget forces managers; to do planning by looking at past events as a whole; anticipating problems; and formulating policies for the survival of the entity (Hansen et al., 2007). Budgets also provide information that can be used to improve the quality of decision-making by looking at past events as well as predicting future events (Biswan & Kusumo, 2021). Budgets and budgetary control are key components of planning and control in the public sector. Where it is reinforced that the public budget is an important management tool for planning and control, demonstrated by financial expression, concerning objectives, costs, actions, funded from revenues, evaluation of results and economic efficiency (Cretu et al., 2010).

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Performance Based Budgeting Theory

Performance-based budgeting is a management budgeting method that links the budget outlined in each activity with the expected outputs and results, including the effectiveness of achieving these outputs. These outputs and results are presented in the performance objectives of each unit of result. Performance-based budgeting emphasizes the value of money and monitors the effectiveness of results. (Brownell et al., 1986)

The definition of performance-based budgeting is a budgeting method for management to link each cost outlined in activities with the benefits generated. These benefits are described in a set of goals and objectives outlined in the performance targets of each work unit. The instruments used in the application of performance-based budgeting include, among others, performance indicators, which are instruments used to measure performance, cost standards, which are cost units determined in the form of input cost standards and output cost standards as a reference for calculating budget requirements and performance evaluation, which is an assessment of the achievement of performance targets, consistency of planning and implementation, level of efficiency, and realization of budget absorption.

Theory of Budget Planning and Control

Budget as a planning tool to determine what to do, how, when, by whom, so as to achieve goals and objectives and budget as a control tool. Budgets are used by management for planning and control purposes which have developed over time. This development is measured in terms of the benefits that will be achieved in the system used in its implementation (Murnisari et al., 2022). The more complex the benefits to be achieved, the more provisions are sought in its preparation and compilation. Public sector budgets are prepared through the basic principles of the budget cycle, namely the stages of budget preparation, ratification, implementation or application of the budget, and the reporting of evaluation (Jinji et al., 2008).

The budget as a planning tool is seen from the comparison between the budget prepared and the results obtained. Based on the results of the comparison, it can be seen whether the plan is in accordance with the objectives or there are deviations from planning. If there is a deviation, an evaluation must be carried out, if the deviation is favorable, it must be maintained and improved. Adverse deviations must be analyzed and evaluated for future improvement (Bhakti et al., n.d.).

The budget as a control tool is used as a benchmark for assessing efficiency and work performance. The control function is carried out through periodic evaluation of the

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current year's budget. The budget as a control tool serves to assess the results of the implementation of a plan, the success of management in carrying out the budget function will also affect the success of the control system that exists in an organization concerned (Isaac et al., 2015). The end of the fiscal year is used by management to evaluate whether each work unit has worked effectively and efficiently in accordance with the plan (Rizaldi, 2016).

Budget Preparation Participation

Budgeting is an important cycle for organizations because it helps implementers in planning activities, provides an initial overview of how much funds will be spent to realize activities controlled by the accountability position, and to avoid deviations. The main purpose of planning is to provide a feed-forward process and provide direction to each leader in decision making. Budget planning takes into account the various conditions that occur in the organization. Planning should include short-term, medium-term, and long-term goals. Planning is related to the monitoring process because in order to achieve goals (Bahri, 2014).

RESEARCH METHODS

Through a qualitative study, this research was conducted in order to review the public sector budgeting process as a planning and control tool at the Ministry of Religious Affairs of NTB Province. The method used was content analysis. Content analysis as a method of text analysis is quite reliable because it views data not only as a collection of events, but as symbolic symptoms. This method has a weakness because it only relies on empirical data and is unable to explore the content and meaning of the text comprehensively. Content analysis aims to explain (to explain) variables from real symptoms (observable) not to understand (to understand) phenomena as the purpose of the interpretive paradigm. Content analysis is also predictive, namely forecasting what will happen in the future departing from the symptoms studied to obtain generalizations as a prediction. Content analysis is based on primary and secondary data.

DISCUSSION

Almost all private and public organizations in carrying out their operations are guided by a financial perspective. Therefore, private and public organizations need to prepare a long-term revenue and expenditure budget that is included in the strategic plan and detail the strategic plan into a short-term revenue and expenditure budget. Each

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organization or entity is expected to benefit from the planning, budgeting and control process.

The implementation of performance-based budgeting that has not fully met expectations in the office activities of the Ministry of Religious Affairs of West Nusa Tenggara is caused by several obstacles. According to Hariadi (2010), proses penganggaran berbasis kinerja harus memperhatikan hubungan antara pendanaan dengan keluaran dan hasil, yaitu mengutamakan upaya mencapai efisiensi (outputPrograms and activities are prepared based on the strategic plans of ministries, facilities, institutions and SPKD.

The Directorate General of Budget also mentioned how to prepare a performance-based budget. According to him, to prepare a performance budget, a strategic plan (Renstra) must first be prepared. The preparation of the strategic plan is done objectively and all elements of government and society participate in it. In order for the system to run well, there are some very important things that must be determined, namely price standards, performance values, and minimum service standards determined by law. As mentioned earlier, attention should also be paid to the use of standard cost analysis (ASB) when preparing performance-based budgets. The existence of a public sector accounting system is very important in the preparation of budgets, as well as in the office of the Ministry of Religious Affairs of West Nusa Tenggara Region. One application of performance-based budgeting is standard cost analysis (ASB), which is the standard cost of programs or activities to make budget allocations more reasonable. However, the Ministry of Religious Affairs of the West Nusa Tenggara region still does not use ASB in its budget, so the 2022 RKA-KL is still prepared based on logical estimates.

In terms of control, the budget at the West Nusa Tenggara Ministry of Religious Affairs has also functioned as a control tool because the budget amount is based on standard figures that have been carefully calculated and also functions as an efficiency assessment tool where the standard figures used are effective so that the realization of costs that exceed or are less than the budgeted amount is considered a waste / actual savings.

Based on the above analysis, the West Nusa Tenggara Office of the Ministry of Religious Affairs can make technical guidance (bimtek) for the preparation of standard cost analysis (ASB) or use the regression method to compile the standard, namely in the preparation of cost analysis. The regression method is a method that looks for variables that influence as “main cost drivers” the size of the budget for each type of activity and calculates how much influence these variables have on budget requirements.

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At the time of identification, what is meant by identification is identifying or examining activities into groups of types of activities. This grouping can be based on several similarities, such as the name of the activity or similarities in outputs or results in activities and also similarities in the process of implementing activities. This stage also includes a separation of the object of activity expenditure.

Then the next step is to group activities that have the same output and cost driver. After that, examine the variables that affect each group of activity types by looking at the spending behavior that has been mapped. In the classification of activities to the work unit concerned as the implementer of the activity whether the group of types of activities is in accordance with the design of the activity. the next stage is to look again at whether there are several subdivisions in the activity. The final step is to simulate the formula for an activity. Then evaluate the reasonableness of the resulting costs.

The consequence or implication of applying item budgeting is that the budget becomes too general or global (not detailed) and the performance measurement of each item becomes unclear. Revenues that have not been previously assessed will appear as zero in the LRA. Several external factors made it difficult to forecast revenue at the West Nusa Tenggara Ministry of Religious Affairs. As a result, the realization of the targeted budget falls short of the original goal, so the revenue budget cannot be used as a tool to measure the performance of the current fiscal year and monitor the results. However, given that this study is limited in time, the trend is to refine the budget model. This study also uses the West Nusa Tenggara Ministry of Religious Affairs as the object of research without comparing it with other work units that serve the public.

CONCLUSION

The implementation of the performance-based budget system in the Office of the Ministry of Religious Affairs of West Nusa Tenggara has been implemented well in accordance with government policies such as Presidential Instruction Number 7 of 1999 concerning Performance Accountability of Government Agencies, however, the results obtained still need to be improved continuously in order to respond to the increasingly high demands of public services.

Performance and budget planning is carried out more carefully and budget revisions and activities are carried out very selectively so as not to hamper the implementation of activities. With more mature and integrated planning and selecting priority programs and targets that have a high contribution to the vision and mission and allocating funds referring to the achievement of the expected results can spur an increase

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in the quality and quantity of human resources and facilities / infrastructure expected. Fulfillment of office facilities and infrastructure needs to be prioritized in the following year either through a request proposal or through the preparation of the Ministry of Institutions Budget Work Plan (RKA-KL).

In preparing the budget, the West Nusa Tenggara Ministry of Religious Affairs uses data and information sourced from experience and also actual data from previous years. The main role of the budget as a control and planning tool is as a tool to regulate all organizational activities so that what has been targeted can be achieved and in order to find out how many deviations occur which will then be directly analyzed to find out what actions must be taken to improve it.

The consequence or implication of the application of item budgeting is that the budget becomes too general or global (not detailed) and the performance measurement of each item becomes unclear. Revenues that have never been assessed before will appear as zero in the LRA. Several external factors made it difficult to forecast revenue at the West Nusa Tenggara Ministry of Religious Affairs. As a result, the targeted budget realization is far from the original goal, so the revenue budget cannot be used as a tool to measure the performance of the current fiscal year and monitor the results.

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