

**THE INFLUENCE OF FACTORS IN LOCAL GOVERNMENT
FINANCIAL MANAGEMENT ASPECTS TO THE REMAINING BUDGET
(SiLPA) IN THE CITY OF TARAKAN**

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ABSTRACT

NINUK SRI WINARNI. The Influence of Factors in Local Government Financial Management Aspects to The Remaining Budget (SiLPA) in The City of Tarakan. Under the advisor of Prof.Dr. Abdul Halim, M.B.A., Akt.

SiLPA occur almost in every local government in Indonesia. SiLPA may occur due to the realization of revenue targets or exceeding a set budget and actual expenditures that are less than the predetermined budget. The high and low SiLPA not necessarily indicate good performance of the local government concerned. Still needed a deeper study to assess whether SiLPA shown in the LRA is an achievement or otherwise. Several factors must be considered to assess whether SiLPA SiLPA shown in the Statement of Budget Realization is an achievement or otherwise. Several factors must be considered in assessing SiLPA , namely the reform of local government financial management, local government revenue management, local government expenditure management, local government cash management and cash budget, local government asset management, local government debt management and investment, and the management of local government partnerships. These factors are summarized in the overall Local Government Financial Management. This study seeks to uncover the influence of these factors in the area of local government financial management aspects of the SiLPA . The hypothesis is built is that these factors positively influence SiLPA . This research was conducted in the City of Tarakan to sample some employees in SKPD and a financial manager SiLPA largest producer. Analysis of the data in this study using multiple linear regression, with the program SPSS 20. The results of this study indicate that the local government revenue management, local government expenditure management, local government cash management and cash budget, local government asset management, local government debt management and investment, and the management of local government partnerships positive give effect on SiLPA. The reform of local government financial management does not give a positive effect on SiLPA.

Keywords : SiLPA, the reform of local government financial management, local government revenue management, local government expenditure management, local government cash management and cash budget, local government asset management, local government debt management and investment, and the management of local government partnerships

1. INTRODUCTION

1.1 Background

Since the issuance of Law No.22/1999 on Local Government which has been then revised by Law No.32/2004, there was the significant changing to the management of local government. The amendment was a decentralized delivery of government authority by the government to the autonomous regions to regulate and administer the affairs of government in the Republic Indonesian system. The implication of decentralization is a change to the Local Government Financial Management, the local government is given the broadest authority to regulate and manage the finances of the region with reference to the laws and regulations.

Basically managing local finances is to manage the budget. Therefore, the government must undertake the planning and budgeting well, especially given the government's resources and potential within the framework of the implementation of obligatory very limited. At the end of each fiscal year, the local government shall make accountable governance and the implementation of local development, namely by making the Local Government Finance Report (LKPD in Indonesian abbreviation). One of this is LKPD Actual Budget Report (LRA in Indonesian abbreviation)

Actual Budget Report (LRA in Indonesian abbreviation) as one of LKPD is a picture of a form of government in managing public funds. In LRA will look how big achievement in implementing the government's budget established, both in terms of revenue, expenditure, and financing. Thus, this report will also describe the difference between the realization and achievement of the set budget. These

differences are accumulated in the remaining budget (SiLPA). SiLPA occur almost in every local government in Indonesia. SiLPA may occur due to the realization of revenue targets or exceeding a set budget and actual expenditures that are less than the predetermined budget.

Thus, it can be said that the high and low SiLPA not necessarily indicate good performance of the local government concerned. Still needed a deeper study to assess whether SiLPA shown in the LRA is an achievement or otherwise. Several factors must be considered to assess whether SiLPA showed good performance or otherwise are factors in Local Government Financial Management.

East Kalimantan (Kaltim) is a province that produces the highest SiLPA in Indonesia in 2012, which amounted to Rp 6,582 trillion. That amount if specified are derived from SiLPA KALTIM Province Rp 1,8 trillion and SiLPA districts/cities in KALTIM Rp 4,782 trillion (www.kaltim.antaranews.com). Further in the Description and Analysis of Budget 2012, that ratio SiLPA to Local Government expenditures in the aggregate provincial, district and municipal, KALTIM Province is highest position in Indonesia. According to *Dirjen Perimbangan Keuangan* (DJPk), Ratio SiLPA is used to describe the amount expenditure which delayed implementation in the previous year also illustrates the amount of the previous fiscal year's revenue that is greater than its projections (www.djpk.depkeu.go.id).

City Government of Tarakan is located in the northern region of the island of Borneo and is included in KALTIM Province, reported almost every year SiLPA

high enough in its LRA. Even at 3 (three) years, SiLPA always increase, which in 2010 amounted to Rp 390,111,866,109,-, Year 2011 amounting to Rp 526,509,540,400,-, and in 2012 was Rp 859,297,864,410,-.

Based on this background above to encourage and motivate researcher to conduct research on SiLPA and Local Government Financial Management. Therefore, the researcher choose the title of the study as follows: The Influence of Factors in Local Government Financial Management Aspects to The Remaining Budget (SiLPA) in The City of Tarakan.

1.2 Problem Formulation

Based on the background above, the formulation of the research problem is that “do the factors in the local government financial management aspects affect the the remaining budget (SiLPA) in the City of Tarakan?”

2. LITERATURE REVIEW AND HYPOTHESIS

DEVELOPMENT 2.1 Local Government Financial Management

Public sector financial management is essentially managing the budget. All government activity is almost certainly related to the management of income and expenditure postscript presented in Government Budget. Government Budget management activities shall include planning, implementation and supervision or control, including reporting of budget execution.

Halim and Kusufi (2012:1) explain that "The local government financial management is a tool to take care of the household and local government". Further explained that "The local government of financial management is the organization and management of resources or assets that exist in the region to achieve the

desired objectives of the region" (Halim and Kusufi, 2012:29). The three main aspects in the local government financial management are the management of revenue, expenditure and financing local government effectively and efficiently (Mahmudi, 2010). The third aspect if it were broken again consists of several factors, namely: the reform of local government financial management, local government revenue management, local government expenditure management, local government cash management and cash budget, local government asset management, local government debt management and investment, and the management of local government partnerships. These factors are interrelated unity in achieving the expected goals and objectives, as well as the creation of local government financial accountability.

Some of the changes that occur in the presence of local government financial management reforms, among others: (a) from a vertical accountability to a horizontal accountability; (b) the traditional budget into the budget performance; (c) the control and financial audit into the control and financial audit and performance; (d) applying the concept of value for money; (e) the implementation of responsibility centers, and (f) changes in the financial accounting system of government (Halim and Iqbal, 2012).

Local government reception management is closely associated with the ability of local governments to manage potential of local fiscal. Success or failure of local governments to obtain local revenue is strongly influenced by the revenue management system used. Some of the basic principles that need to be considered local government in building local revenue management system by Mahmudi

(2010) is the expansion of revenue base, control over revenue leakage, increase in revenue administration efficiency, transparency and accountability.

The main objective of local government expenditure management, such as :

(a) ensure fiscal discipline done through expenditure control; (b) the allocation of the budget in accordance with the policies and budget priorities (strategic allocation); (c) ensure the efficiency and effectiveness of budget allocation. Several local government expenditure management principles (Mahmudi, 2010), including planning, control, accountability, and auditability expenditure.

The main concern is how the local government cash management obtain cash receipts local government as soon as possible, release funds to pay local government expenses efficiently, and utilize local government cash funds that have yet to be used effectively. The main objective in the management of cash is cash security, maintaining financial liquidity, and investment gains. Cash management cycle includes the collection of revenue, expenditure, receipt of financing, and financing expenses.

Mahmudi (2010:146) defines that "The assets of the local government is all local government properties owned or controlled by local governments, which is purchased or obtained at the expense of the budget or from other lawful management, such as donations, gifts, donations, endowments, grants, self-help, third party liability and so on".

The basic principles of wealth management (asset) local includes three main points, namely the proper planning, implementation/ utilization of effective and efficient, and monitoring (Mardiasmo, 2004).

The Rule of Government (Permendagri in Indonesian abbreviation) No.17/2007 on Guidelines for Technical Management of Local Government, states that:

"Management of the property local government include: demand planning and budgeting, procurement, receipt, storage and distribution, using, administration, utilization, security and maintenance, assessment, deletion, transfer, training, supervision and control, financing and claims for compensation."

Mahmudi (2010:162) explains that "debt management is a process of formulating and implementing the local government's debt management strategy associated with efforts to obtain a loan at a controlled level of risk and lowest cost loans and use them efficiently and effectively."

Principle local government of debt management include: (a) efficiency and cost effectiveness; (b) prudence; (c) diversification; (d) transparency and accountability; (e) free bond; (f) ensure fiscal sustainability; (g) budget mechanism; and (h) to support economic growth.

Mahmudi (2010:170) defines investment as "Local government expenditures undertaken in order to gain an advantage in the future". Principle of local government investment management, among others, the legality, safety, liquidity, profitability, and the suitability of the selected investments.

The Law about Government No.32/2004 on Local Government Section 195 states that in order to improve the welfare of the people, the local government may cooperate with other local government based on considerations of efficiency and effectiveness of public services, synergy, and favorable. The cooperation can be realized in the form of inter-regional cooperation agency governed by a joint decision. In addition, the provision of public services, local government can also cooperate with the third parties. The cooperation of inter-regional partnerships are essential to enhance synergies and avoid conflicts of interest of each region that are counterproductive to efforts to improve the welfare of local communities.

Local government partnership with the private sector (public-private partnership)

can save the budget, increase revenues, improve service quality, accelerate regional development, promoted the growth of the private sector and the local economy.

2.2 Financial Accountability

Mahmudi (2010:11) explains that "Financial accountability is the accountability of public institutions to use public money economically, efficiently and effectively, there is no wastage and leakage of funds, and corruption". Government accountability in the financial sector is realized through government financial statements consisting of Actual Budget Report (LRA), Balance Sheet, Statement of Cash Flows, and Notes to the Financial Statements (Rai, 2008). Success or failure of local fiscal management by the government will be reflected in the financial statements made by local governments. The LRA, which is one component of local government financial statements that illustrate a comparison between actual and budget within a reporting period, consisting of revenue, expenditure, surplus/deficit, financing, and SiLPA

2.3 The Remaining Budget (SiLPA)

The remaining budget (SiLPA) is the remainder of the budget that is not spent, which will be a source of revenue for funding in the next budget. The Government Role No.58/2005, article 1 on paragraph 31 explains that SiLPA is the excess of actual revenues and expenditures budget for the budget period. The minister rules of domestic No.13/2006 further states that:

"SiLPA acceptance of the local revenue overrun, overrun acceptance fund balance, the other receipts, overrun of legitimate income, overrun acceptance financing, thrift expenditure, liability to third parties until the end of the year have not been resolved, and the remaining funds continued activity."

2.4 Previous Research and Hypotheses Development

2.4.1 The Influence of Local Government Financial Management Reform to SiLPA

Baay (2011) concluded that the capacity of members of the board, controlling, financial management policies, policy's actors, and executive policy of local government are factors causes SiLPA. Witri (2010) concluded that the occurrence of SiLPA due to poor budget planning, the delay factor budget, and the budget process that complicated and long. Bali (2013), explains that the local government of financial management reform is very influential on government measures taken in implementing the local government financial management.

H1: local government Financial Management Reform gives positive effect to SiLPA.

2.4.2 The Influence of Local Government Revenue Management to SiLPA

Bali (2013) states that local government efforts to obtain a minimum income in accordance with the targets set in the budget that is a key principle in the local government of revenue management. Realization of income that exceeds the target or budget will accumulate into SiLPA. Bali (2013) also mentioned that revenue management is one factor contributing to the total variance SiLPA with 10%.

H2: Management of local government revenue gives positive effect to SiLPA.

2.4.3 The Influence of Local Government Expenditure Management to SiLPA

Government spending should be managed properly. Therefore we need a tool to manage government spending economically, efficiently and effectively according to the concept of value for money, namely local government of expenditure management. With the expenditure management implementing a reliable, then the government can manage the expenditure according to the concept of value for money so budget can be realized as plans and expenditure savings that occur even without reducing performance achievements that have been set. Bali (2013) concluded that the expenditure management is the biggest factor causes SiLPA with 19.68% about total variance. Kuswoyo (2011) concluded that the factors causing the concentration of budget absorption at the end of the fiscal year are planning a budget of 30.06%, 14.36 % of budget execution, procurement of goods and services amounted to 9.65 %, and the unit's internal factors of 7.38% .

H3: Management of local government expenditure gives positive effect to SiLPA.

2.4.4 The Influence of Local Government Cash Management to SiLPA

Bali (2013) concluded that cash management is one of the factors contributing to the occurrence SiLPA with a variance of 4.3%. Kuswoyo (2011) mentions that one of the causes of budget absorption concentration at the end of the fiscal year is the implementation of the budget (14.3%), no unit discipline to follow the schedule of activities in the DIPA.

H4: Cash Management of local government gives positive effect to SiLPA.

2.4.5 The Influence of Local Government Asset Management to SiLPA

One of important aspect of the success of local government financial management of its asset management system is effective and efficient. An understanding of the principles of local government asset management is required so that local governments can perform optimal management of the existing assets, will result in an increase in local revenues and asset maintenance cost savings. Bali (2013) states that the implementation of each phase of the asset management cycle, namely procurement, using or utilization, security, maintenance and rehabilitation, removal and transfer, will contribute to SiLPA, and collected a total variance of 13.6%.

H5: Asset management of local government gives positive effect to SiLPA

2.2.6 The Influence of Local Government Debt Management and Investment to SiLPA

Debt and investment management of local government require good planning because of debt and risk of investments that can be detrimental. Local government's debt must be managed well by the government so that it can be used as a development stimulus that had a positive impact on the economy. Investments are made by the government in order to ensure financial sustainability and local development, among others to obtain a return on investment (yield), the local asset security (safety) and to optimize cash management, and maintain financial liquidity. Bali (2013) concluded that the local government of debt management and investment contribute to the turnover of SiLPA with 3.54% variance.

H6: Debt management and investment of local government give positive effect to SiLPA.

2.2.7 The Influence of Local Government Management Partnerships to SiLPA

Inter-regional cooperation or partnership is very important to enhance synergies and avoid conflicts of interest local of each region that are counterproductive to efforts to improve the welfare of local communities. Local government partnership with the private sector (public-private partnership) can provide many benefit, among others, can save the budget, increase revenues, improve service quality, accelerate local development, encouraging private sector growth, and encourage local economic growth. Bali (2013) concluded that the management of local government partnership is one factor contributing to the variance SiLPA with 6.85%.

H7: Management of local government gives partnerships positive effect to SiLPA

3. RESEARCH METHODOLOGY

3.1 Population and Research Sample

The sampling technique is used in this study that is a non-probability sampling with purposive sampling. The population in this study is employees of the City Government of Tarakan, while the sample is a few employees each on SKPD in the City of Tarakan which play a role in the local government financial management and the largest contributor of SiLPA.

3.2 The Method of Data Collection

The study was conducted using primary data through questionnaires directly to the local government of financial management officer in the City of Tarakan. The type of questionnaire used in this research was a structured questionnaire with questions or often also called closed questions. The structured or closed questions gave participants a set of fixed choices (Cooper and Schindler, 2006). The questionnaire was used in this study, a questionnaire was constructed by Bali (2013). The variable measurements performed using five-point Likert scale ratings, namely strongly disagree with a score of 1 (one), do not agree with a score of 2 (two), neutral with a score of 3 (three), agree with a score of 4 (four), and strongly agree with a score of 5 (five) .

3.3 The Models and Data Analysis Techniques

The model and data analysis techniques used in this study is the approach of multiple linear regression using SPSS 20, with the following model:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 +$$

$b_7X_7 + e$ Description:

| | |
|---------------|---|
| Y | : SiLPA |
| b_1 - b_7 | : Regression Coefficient |
| a | : Constant |
| X_1 | : Local Government Financial Management Reform |
| X_2 | : Local Government Revenue Management |
| X_3 | : Local Government Expenditure Management |
| X_4 | : Local Government Cash Management |
| X_5 | : Local Government Asset Management |
| X_6 | : Local Government Debt Management and Investment |
| X_7 | : Local Government Management Partnerships |
| e | : Error Item |

3.4 Test Data Quality

1. Test validity

To measure the validity, this study used *Pearson Product Moment* correlation coefficient with a significance of 5% in the value of SPSS with the provisions of pearson product moment correlation coefficient (r -count) is greater than r -table then that the statement is valid. To measure the validity, conducted a pilot test with 39 questionnaires to the respondents spread of environmental Maksi's UGM, who have the same criteria with the actual respondents, namely civil servants who are learning task or students of public sector accounting. Based on the number of respondents in this pilot test, then $df = n-2$, $n = 32$ so that $df = 32-2 = 30$, then r -table is equal to 0,296. Questions discarded invalid or not included in the questionnaire for the survey respondents, the question No.7 and No.11 for expenditure management, asset management No.2, No.6 for investment and debt management, and No.1 for partnership management.

2. Reliability test

To measure the reliability, this study used *Cronbach's Alpha* in SPSS 20. A variable is said to be reliable if it has a value of *Cronbach's Alpha* > 0.6 (Bambang, 2009). From the results of testing the reliability of the test pilots who have done all variables are declared reliable.

3.5 Test Assumptions Classic

1 . Normality Test Data

To determine the normality of the data, this study used the *Kolmogorov-Smirnov* test with the provisions of significance greater than 0.05. The results of

the normality test are known that *Kolmogorov Smirnov* value is 0.642 and significant at 0.804. This means that the data are normally distributed residuals.

2. Multicollinearity test

Multicollinearity testing performed used SPSS 20. Not the multicollinearity viewed is used tolerance values ≥ 0.10 or ≤ 10 together with VIF. From the calculation results showed no independent variables that have a tolerance value less than 0.10 and VIF value greater than 10. So it can be concluded that there is no multicollinearity between the independent variables in the regression model.

3. Autocorrelation test

To detect the presence of autocorrelation, this research using the *Durbin - Watson* (DW). In DW, there are two limits on the d_1 as lower limit and the upper limit of d_h (Gudono, 2011). Provided that no autocorrelation is $2 < DW < 4 - d_h$ or $d_h < DW < 4 - d_h$. From the results of the *Durbin Watson* autocorrelation test, the obtained value of 1.856 DW. Based on DW table, then for $n = 76$ and $k = 7$ (number of independent variables) then $d_h = d_l = 1.834$ and 1.428 . So, on that basis ($4 - 1.834 = 2.166$ so $1.834 < 1.856 < 2.166$) in this study concluded there is no autocorrelation.

4. Heteroscedasticity test

To detect the presence or absence of heteroscedasticity can be done with *Glejser* test, with a significance level of 0.05. If significant value obtained from the test data is greater than 0.05, then the regression model contains no heteroscedasticity. The test results showed that the level of significance

heteroscedasticity of the variables is greater 0.05. So we can conclude the existence of the regression model contains no heteroscedasticity.

3.6 Hypothesis Testing

1. The coefficient of determination (R^2)

The coefficient of determination is between zero and one. Small value of R^2 means the ability of the independent variables in explaining variation in the dependent variable is very limited. Value close to 1 means that the independent variables provide almost all the information needed to predict the variation in the dependent variable. From the statistical calculations, the value of R^2 of 0.710 and adjusted R^2 of 0.680. This means that 68% of variation in the dependent variable can be explained by the seven independent variables, while the remaining 32% is explained by factors outside our model. Standard Error of Estimate of 0.208, the smaller the value of SEE will make more precise regression models in predicting the dependent variable.

2. The Model Test (Test Statistic F)

F statistical tests performed to predict the dependent variable (Ghozali, 2012). Thus, the F statistical tests performed to see the feasibility of the regression model. Regression model is used in this research that is feasible if the value is smaller significance 0.05. Based on the test results, the value of F-calculated of 23.775 with a significance of 0.000. Because significance is too smaller than 0.05, then the regression model can be used to predict the Y variable, in this case is SiLPA .

3. Individual Parameter Significance Test (Test Statistic t)

Statistical t test is conducted to determine how far the influence of the independent variable on the dependent variable individually (Ghozali, 2012). Tests against each of these hypotheses using statistical t test, with Alpha 0.05, with the provision that if a significance < Alpha, then the partial independent variables affect the dependent variable or the value of t-calculated is greater than t-table. Results of t test using SPSS can be seen in the following table:

Tabel Hasil Uji Statistik t

| Variabel Independen | B (koefisien) | T | Sig. |
|------------------------|---------------|-------|-------|
| <i>(Constant)</i> | 0.237 | | |
| RMKD (X ₁) | 0.024 | 0.347 | 0.365 |
| MPD (X ₂) | 0.239 | 4.349 | 0.000 |
| MBD (X ₃) | 0.136 | 1.711 | 0.046 |
| MKD (X ₄) | 0.128 | 1.859 | 0.034 |
| MAD (X ₅) | 0.136 | 1.916 | 0.030 |
| MUID (X ₆) | 0.182 | 2.957 | 0.002 |
| MKmD (X ₇) | 0.151 | 2.693 | 0.005 |

Keterangan : Variabel Dependen : SiLPA

4. ANALYSIS AND DISCUSSION

Questionnaires distributed 90 questionnaires, and as many as 83 questionnaires were returned, while the questionnaire was not used as much as 7 questionnaires because respondents did not complete the questionnaire answered by research and do not even answer the questionnaire.

1. The Influence of Local Government Financial Management Reform (RKMD) to SiLPA (H1)

The results of hypothesis testing showed that the Local Government Financial Management Reform (X₁) has no effect to SiLPA (Y). It can be seen from the

table that the X_1 significance of 0.365, t-count equal to 0.347, and a beta of 0.024. Based on this, it can be said that the Local Government Financial Management Reform has no effect on SiLPA, which meant that **H₁ is not supported**.

Local Government Financial Management Reform is changed in all aspects of financial management ranging from budget systems used, the role of Local Government institutions Financial Management, systems implementation and accounting basis by applying the principle of value for money and more accountable to the public so as to improve the performance of the government. The results of this study do not support the research that has been conducted by Bali (2013). It can be explained that the Local Government Financial Management Reform has been running more than a decade a series of changes to the management of government, especially local government policy. This change has been going on so long that changes in the local government financial management also has been running long enough. Such changes contribute positively to the good financial management of local government, through the implementation of local government financial management. Therefore, if local governments adopt and implement the Local Government Financial Management Reform well, it will directly affect the implementation of the financial management of local government concerned. However, these changes do not directly affect SiLPA, because SiLPA related to how the Local Government Financial Management applied to each local government. Another thing that causes not influential variable of Local Government Financial Management Reform is also suspected due to the Local Government Financial Management

Reform just a jargon, which is not followed by implementation in implementing the financial management of local governments.

2 . The Influence of Local Government Revenue Management (MPD) to SiLPA (H2)

The results of hypothesis testing showed that the Local government Revenue Management (X_2) and a significant positive effect on SiLPA (Y). It can be seen from the table that the X_2 significance of 0.000, t-count of 4.349, and a beta of 0.239. Based on this it can be said that the Local Government Revenue Management gives positive effect on SiLPA, which means that **H₂ is supported**.

The results of this study support the research conducted by Bali (2013) which states that the Local Government Revenue Management is one factor contributing to the total variance SiLPA with 10%.

Local Government Revenue Management in this study was defined as a way to optimize the revenue of local government in the region to observe the stages and principles of Local government Revenue Management. Local Government Revenue Management applicated properly and optimally will optimize government revenue that can even exceed predetermined targets. Conversely, if the terrain Revenue Management is not executed properly or even worse, local governments cannot optimize its local income and difficult to achieve the revenue targets that have been set. Exceeding or not achieving the revenue target, it will affect the SiLPA. In the event of overrun the target revenue, then SiLPA resulting in good performance.

3. The Influence of Local Government Expenditure Management (MBD) to SiLPA (H3)

The results of hypothesis testing showed that the Local Government Expenditure Management (X_3) and a significant positive effect on SiLPA (Y). It can be seen from the table that the X_3 significance of 0.046 and t-count of 1.711, and a beta of 0.136. Based on this, it can be said that the Local Government Expenditure Management gives positive effect on SiLPA, meaning that **H3 is supported**. The results of this study support the research conducted by Bali (2013) that the Local Government Expenditure Management is one factor contributing to the total variance SiLPA with 19.68%. Research conducted by Kuswoyo (2011) states that the factors that led to the concentration of absorption at the end of the fiscal year budget are a budget planning, budget execution, procurement and internal factors of unit. With the increasing concentration of budget execution at the end of the fiscal year, then the chances of the budget is not absorbed that will be greater, and potentially become SiLPA.

Local Government Expenditure Management in this study is defined as the ways in which local governments save money and allocate the budget in an efficient, effective, fair and equitable with due regard to the principles of expenditure management. If the government has implemented Local Government Expenditure Management of the well, then the government could optimize absorption, with due regard to the principle of value for money. It means, the programs and activities carried out appropriately, in accordance with the target of growth, equity and economic stability, economically, efficiently and effectively so

that in case the rest of the budget at the end of the year, the rest of the budget is a result of good Expenditure Management applied the relevant local government. However, if the Local Government Expenditure Management application is bad, the remainder of the budget will be the budget surplus occurred because of a program or activity that has the potential to fail done it. The rest of the budget is potentially a SiLPA, both SiLPA in good categories or SiLPA in bad category.

4. The Influence of Local Government Cash Management (MKD) to SiLPA (H4)

The results of hypothesis testing showed that the Local Government Cash Management (X_4) and a significant positive effect on SiLPA (Y). It can be seen from the table that the X_4 significance of 0.034, t-count of 1.859, and a beta of 0.128. Based on this, it can be said that the Local Government Cash Management gives positive effect on SiLPA, which means that **supported of H4**.

Research conducted by Bali (2013) which states that the Local Government Cash Management is one factor contributing to the total variance SiLPA with 4.27%. Local Government Cash Management in this study was defined as the ways in which local governments to obtain cash receipts Local Government as soon as possible, release funds to pay for local expenses as efficiently as possible, and take advantage of local cash funds that have yet to be used effectively. If the government has implemented a Local Government Cash Management properly, then there will be no liquidity problems. It means, that the government can optimize the utilization of idle cash without disrupting the local government obligations, such as short-term investments, such as deposits. These investment

will generate profits that will be the source of local revenue, and potentially become SiLPA (good performance). Conversely, if the bad terrain Cash Management, the impact is that the government will have liquidity problems, which in turn will impact on the delays in the fulfillment of local government liabilities. The consequences that may result is the inhibition of the implementation of programs and activities, which could potentially be SiLPA (bad performance).

5. The Influence of Local Government Asset Management (MAD) to SiLPA (H5)

The results of hypothesis testing showed that the Local Government Asset Management (X5) and a significant give positive effect on SiLPA (Y). It can be seen from the table that the X5 significance of 0.030, t-count of 1.916, and a beta of 0.136. Based on this that it can be said that the Local Government Asset Management has positive influence on SiLPA, it means that **H5 is supported**. Research conducted by Bali (2013) which states that the Local Government Asset Management is one factor contributing to the total variance SiLPA with 13.6%. Research conducted by Kuswoyo mention that one of the causes of the concentration at the end of the fiscal year budget is a factor of procurement of goods and services.

Local Government Asset Management in this study is the way in which local governments in managing assets properly, efficient, effective, transparent, and accountable, with due regard to the principles of the Local Government Asset Management, which is proper planning, implementation/utilization of effective

and efficient, and monitoring. Therefore, with the implementation of good Local Government asset management, local governments carry out the planning and procurement of assets effectively and efficiently. Local Government will also use and take advantage of the asset to the maximum, would even potentially be profitable by way of lease of assets or other forms of cooperation. Safeguarding and maintenance of assets effectively can save maintenance costs of assets. Asset utilization will potentially be profitable, while maintaining the potential to be effective in budget savings. Advantages and budget savings will potentially become SiLPA (good performance). If the bad terrain Asset Management, for example, poor planning, failure will potentially capital expenditures (assets). If the capital expenditure failed to take place then it would potentially be SiLPA (bad performance).

6. The Influence of Local government Debt Management and Investment (MUID) to SiLPA (H6)

The results of hypothesis testing showed that the Local government Debt Management and Investment (X_6) and a significant give positive effect on SiLPA (Y). It can be seen from the table that the X_6 significance of 0.002, t-count of 2.957, and a beta of 0.182. Based on this, it can be said that the Local government Debt Management and Investment gives positive effect on SiLPA, which means that **H6 is supported**. The results of this study support the research conducted by Bali (2013) which states that the Local government Investment and Debt Management is one factor contributing to the total variance SiLPA with 3.54%.

Local government Debt Management in this study is defined as a process of formulating and implementing the government's debt management strategy associated with efforts to obtain a loan at a controlled level of risk and lowest cost, and use the loan efficiently and effectively. Local Government Investment Management in this study is defined as the management of Local government spending done in order to benefit in the future by taking into account the principles of the Local government Investment Management in ensuring financial sustainability and Local government development. If the government can do a good Debt Management, then the government has the potential to get a loan at a controlled level of risk and lowest cost, and to use it efficiently and effectively. The use of the loan funds may be investing in income-producing project. Investments can also be made from the use of idle cash, such as in the form of deposits and shares that will potentially benefit. The advantage gained by the local governments will potentially be SiLPA. Both SiLPA is good or bad, depending on whether or not Local government the Debt Management and Investment of local government.

7. The Influence of Local Government Partnership Management (MKmD) to SiLPA (H7)

The results of hypothesis testing showed that the Local Government Partnership Management (X7) and a significant positive effect on SiLPA. It can be seen from the table that the X7 significance of 0.006, t-count of 2.693, and a beta of 0.151. Based on this it can be said that the Management Partnership Government has positive influence on SiLPA that means **H7 supported**.

The Research conducted by Bali (2013) which states that the Local Government Partnership Management is one of the factors causing SiLPA with a total variance of 6.85%. Management Partnership Government in this study is defined as the management of government partnerships with third parties in order to improve the quality of service to the community, save the budget, increase local government revenue, accelerate local government development, encouraging private sector growth, and encourage local government economic growth. Budget savings and increased local government revenue would potentially be SiLPA.

Based on the test results, the regression equation in this study are:

$$Y=0.237+0.239X_2+0.136X_3+0.128X_4+0.136X_5+0.182X_6+0.151X_7+e$$

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusion

Based on the results of the data analysis and discussion, the conclusion that can be drawn in this study that is the only variable Local Government Financial Management Reform unproven effect on SiLPA. It means that, Local Government Financial Management Reform does not lead to good or bad SiLPA the City Government of Tarakan. Other variables shown to positively influence SiLPA, namely the Local Government Revenue Management, Local Government Expenditure Management, Local Government Cash Management, Local Government Asset Management, Local Government Debt Management and Investment, Local Government and the Management Partnership. That is, that the better the application of these variables then SiLPA is generated the better.

5.2 Limitations of Research

1. This study only involves the local government is the City Government of Tarakan so that the conclusion drawn in this study is limited to the City Government of Tarakan and cannot be generalized to the local governments in Indonesia.
2. The scope of the sample in this study is limited to the Local Government Financial Management Tarakan City Government so that the results may be different from the financial management of local government on the other.
3. Researcher cannot assist respondents in completing the questionnaire so that the researcher cannot control the seriousness of the respondents in filling out the questionnaire, whether caused because the respondents did not understand the question or because of other conditions.

5.3 Advice

Suggestions for research on Local Government Financial Management and SiLPA next are as follows:

1. Should increase the number of samples and expand its research so that the analysis and conclusions can be generalized.
2. We recommend adding a data source by adding secondary data so that conclusions drawn more precise and accurate, as data derived from primary data (questionnaires) and secondary data (Realized Budget Report).

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