

## **Spending Standard Analysis Model in Budget Fairness (an Empirical Study on Wajo Regency)**

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**Abstract:** This study aims to create a Spending Analysis Standard (ASB) model following the policy by Wajo Regency's government officials. This analysis is an instrument used for assessing the fairness of workloads and costs incurred for government-organized activities. Data was obtained from the 2017 Budget Implementation List (DPA), 2017 Budget Realization Data from all Regional Work Units (SKPD) and Standard Unit Price Data. We found that the ASB model to be Rp 4.291.406,670 + (Rp 251.829,414 × Total Days × Total Participants). The average, maximum, and minimum expenses for these activities were Rp 12.620.574, Rp 30.432.350, and Rp 0, respectively.

**Keywords:** Spending Standard Analysis, Budgeting, Linear Regression.

### **Introduction**

A budgeting system is a crucial step in the planning and drafting of the Regional Budget (APBD). The budget performance system is basically a system that includes program preparation activities and performance benchmarks as an instrument to achieve program goals and objective. Budget with the performance approach emphasizes the concept of value for money and supervision of output performance (Mardiasmo, 2009). The implementation of the performance budget system in budgeting begins with the formulation of programs and the preparation of government organizational structures that are in accordance with the proposed program, including the determination of work units responsible for program implementation, as well as the determination of performance indicators that are used as benchmarks in achieving the set program objectives.

The work performance approach in budgeting is a budget system that prioritizes the work and output of each planned program and activity. Budgeting based on work performance is basically carried out after the regional government submits the APBD General Policy (KUA), and the Temporary Budget Priority and Ceiling (PPAS) must be determined clearly regarding the magnitude of the results and outputs. However, budgeting based on work performance will be seen operationally when the SKPD submits the Work Plan and Budget (RKA-SKPD). To implement a budget based on work performance, local governments need to complete instruments such as performance achievements, performance indicators, spending standard analysis, price unit standards, and minimum service standards.

The term Spending Standard Analysis (ASB) was introduced in Law No. 32 of 2004 concerning Regional Government. Furthermore, the laws and regulations that underlie ASB are Government Regulation No. 58 of 2005 concerning Regional Financial Management, which is further elaborated in the Minister of Home Affairs Regulation No. 13 and 2006 concerning Guidelines for Financial Management. In these regulations, it is stated that ASB is one of the main instruments in performance-based budgeting. However, ASB which is mandated in these regulations is not shown in real and operational terms so that ASB is somewhat of an abstract concept for local governments in Indonesia. In general, there are three approaches in determining patterns of spending behavior. The three approaches are the intuition approach, engineering analysis approach, and past expenditure data analysis approach (Ritonga, 2010).

Previous research that has examined the application of ASB has not been done very often while local governments implementing performance-based budgets need to complete standard spending analysis

instruments in preparation a budget. Research on evaluation and implementation of the ASB model has been carried out by several researchers such as Putra (2012) who evaluated regional budgeting with ASB analysis in Ngawi Regency, Fatikhah (2013) who made the ASB model of Batu City's local government, and Amaliah (2015) who made the ASB model on Bulukumba district government. Based on previous studies, the writers conducted research on the creation of a standardized spending analysis model on several of the same activities in the district government of SKO District. This is done to get an idea of whether some of the same activities in the SKPD of the local government of Wajo have met the fairness of the budget and whether budget allocation is carried out economically, efficiently and effectively.

The purpose of this study was to determine whether the spending and budget allocation in each work unit is economical, efficient and effective (value for money), accountable, and transparent so that it can be used as a reference to assess the fairness of the budget between the same programs and activities in SKPD. A study of the Spending Standard Analysis model will be established that matches the characteristics of the implementation of activities/programs in the local government of Wajo.

The preparation of ASB is very important for local governments, including that of Wajo district since various regional budgeting problems are often found, namely: (1) difficulty in assessing the fairness of workload on similar activities between programs/activities and between SKPDs; (2) the process of preparing and determining the budget becomes a subjective matter; (3) there is an injustice in allocating the amount of the budget for two or more of the same activities; (4) local government officials do not have a strong argument when accused of wasteful use; and (5) the budget preparation process is often delayed and requires a long time. These things make the ASB concept very important to be applied in Wajo's local government.

The aim of this study is to contribute in the form of making a standard analysis model on spending in the Wajo district government. The standard expenditure analysis model by the local government can be used in the APBD drafting process as an instrument in assessing the fairness of the budget of some of the same activities in each SKPD, and it is expected that the expenditure analysis model that will be made can be used as a reference in the Wajo district government budgeting policy.

Based on the results the study on standard spending in of the Batu city government (Fatikhah, 2012) which show that the use of ASB in Batu City's local government, we can determine the fairness of spending, minimize the occurrence of unclear expenditures that result in budget inefficiency, improve efficiency and effectiveness in regional financial management, determine the budget based on clear performance benchmarks, and work units will have more flexibility in determining their own budget. Putra's (2012) research on Evaluation of Regional Financial Budgeting with the Analysis of Expenditure Standards for the 2010 fiscal year (Case Study: Ngawi District Regional Development Planning Agency) produced a simple linear regression model with ASB, calculating the minimum and maximum value of the budget, and calculating the percentage of expenditure allocation in each spending object. Based on the percentage of spending allocation, it is known that 40% of the implementation of the financial budget is underfinanced, 20% reasonable and 40% over-financed.

Oktaria's (2012) research on the analysis of the constraints of the application of ASB (a case study in Katingan-Central Kalimantan district) showed that the prepared standard spending analysis turned out to be irrelevant when used in budgeting practices in Katingan district. This can be seen from the paired sample t-test which found that there was no difference between the budget calculated with and without using ASB. The factors that led to this were due to changes in spending policies that occurred in the next fiscal year that could not be accommodated by the existing ASB. In addition, budgetary behavior in Katingan district is still considered unable to implement performance-based budgets. Therefore, in addition to revising the existing ASB formula, it is also necessary to change the behavior of the budget that supports the creation of a performance-based budget.

Other research results indicate that budgetary requirements based on the development of standard expenditure analysis of twelve types of technical assistance in Kuningan regency's activities in the fiscal year 2008 showed an insignificant amount of over-financing. However, when viewed from the

object of spending, there is an irregularity in the allocation of budget costs in the details of spending in several activities in each work unit of the region. The intended spending components are expenditure for non-civil servant honorarium, material costs, food and beverage expenses, and official travel expenses. All of the expenditure details found inefficiencies in budget allocations, determining the volume of workloads that were ineffective, as well as the existence of budget allocations that were not in accordance with the setting of price standards (Narulita, 2009).

**Research Methodology**

This study uses descriptive research methods and case study research. The research was carried out in the Wajo district government. The type of data used were secondary data in the form of 2017 Budget Implementation Documents from all SKPDs in the Wajo district government, 2017 Budget Realization data, and Standard Unit Price data based on Regional Regulations. Data was obtained through direct observation in order to acquire information regarding the preparation of the budget in each SKPD and how the finance department received reports from all SKPDs in a timely manner. Others data-collection methods include conducting interviews to obtain data on budget determination in the document RKA and DPA, holding Focus Group Discussion (FGD) to determine activities and triggers of activities, and reading through the documents RKA and DPA, Budget Realization and Standard Unit Price

The preparation of standard expenditure analysis is carried out in three stages, namely the data collection stage, the activity equalization stage, and the model building stage. At the data collection stage, the activities of all SKPDs were collected to obtain an initial picture of the various types of activities that occur in the local government. All SKPDs must be involved all so that it can fulfill the conceptual framework for the preparation of ASB, namely the assumption of democracy. Data collected at this stage was the DPA.

The second stage is the equalization of activities carried out to classify the list of various activities obtained from the data collection stage into different types or categories of activities that have similar activity patterns and equivalent workloads. That is, activities with the same workload will be grouped in the same group. This stage was carried out to fulfill the first conceptual framework, namely the preparation of ASB must be based on the principle of performance-based budgeting.

The third stage is the model bidding stage. A model is formed to obtain an overview of the value of spending and allocations that occur in local governments. The strategy of this research activity is illustrated in the three mechanisms of the formation stage of the standard expenditure analysis model shown in the following fishbone diagram.

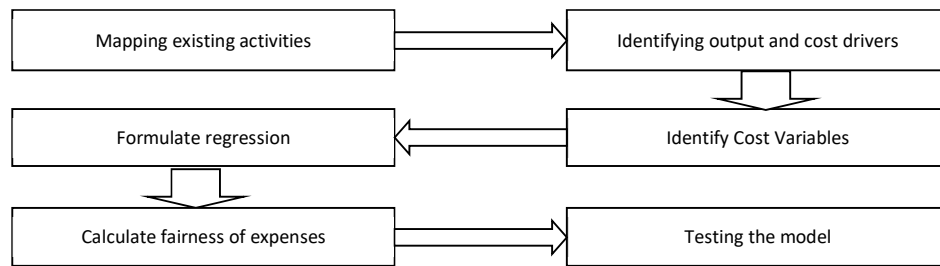


Figure 1. Standard Spending Analysis Framework

There are four main steps in how this research was conducted. The descriptions of each of these steps are given below.

1. Observation and interviews. In this stage, the writers conducted two field activities, namely pre-observation and observation. This step emphasized learning about the research object/target and the activities, namely the financial management in each SKPD.

2. Data collection. Data obtained through observation can be used as a reference in the preparation of ASB, with the aim that ASB is structured based on clear and legal regulations. The basic data that is used as a source document is the SKPD-DPA, 2017 Budget Realization Data and the Price Unit Standard.

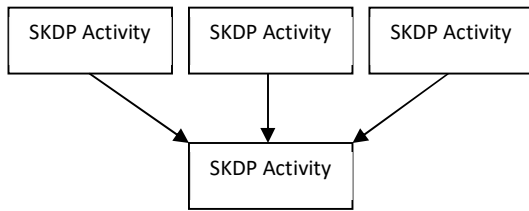


Figure 2. Data Input Scheme

3. Identify SKPD budget components. From the DPA and 2017 Realization Data in Wajo regency, data input from each activity was carried out on each program that has been planned, and a database of activities will be obtained. Only similar and relevant programs and activities will be inputted. Equivalent and similar activities are training activities for the community aimed at providing education to communities outside the Regional Consultation Center (PKPD) in order to acquire certain technical skills. This activity was held by 11 SKPDs and had a total of 40 activities.

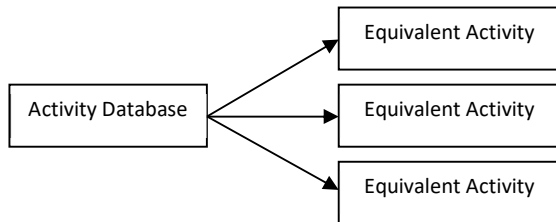


Figure 3. Activity Classification Scheme

4. Build the ASB model. This step includes the following phases:
  - a. Determining and grouping similar SKPD activities.
  - b. Determining spending standards and budgets.
  - c. Adding spending activities and budget requirements into the ASB. The purpose of making a calculation format table is to separate fixed costs and variable costs.
  - d. Determining average spending limits for ASB.
  - e. Building the model standard spending analysis format.

**Result and Discussion**

The preparation of ASB is done through several stages. The first stage begins by collecting secondary data including the 2017 DPA-SKPD, the 2017 Realization Data in the form of existing local government activities adjusted to the Minister of Home Affairs Regulation No. 13 of 2006. The DPA and budget realization data were obtained from all 53 SKPDs consisting of 29 agencies, 7 bodies, 2 secretariats, 1 inspectorate, and 14 sub-districts. Each activity and its input and output were identified in all 53 SKPDs. Next, the writers determined which activities will be included in the ASB, namely some of the most budgeted activities by SKPD with clear and measurable activity inputs. The activity in question is the preparation of the report. The ASB model report preparation activities were adjusted to the local government policy, namely in eliminating civil servant honorariums previously budgeted in the 2017 DPA.

Each of these activities were grouped in the same or similar activities in the 2017 fiscal year and had the same output and cost drivers as one ASB group. They were then given the ASB group naming. The ASB preparation stage is as follows:

The first stage of the preparation of ASB is collecting secondary data in the form of DPA-SKPD for 2017 and existing SKPD data. Data from as many as 53 SKPDs were collected. Afterwards, the writers identified input and cost drivers of each activity. Next, we determined the activities for ASB from several activities that have clear and measurable input and controlling activities.

The equalization phase was carried out after the data collection stage. We categorized the activities based on activity patterns and workload. The activity referred to in this study is ASB Training for the Community in the Wajo Regional Government. ASB Activities Community Training includes training, education and technical guidance held by SKPDs in order to provide understanding and skills to the community. There were 11 community training activities in 2017 held by 53 SKPDs from within the Wajo District Government, and these activities had a budget that varied between SKPDs. The trigger of this activity is the number of days of implementation and the number of participants in the training.

The total budget for training activities for the community amounted to Rp1.887.295.000. The number of triggers/controllers of expenditure, namely the number of participants and the number of days of implementation, was 2.066 people/day. There are 40 similar and relevant activities where the largest allocation was given to the Flag Lifting Forces (Paskibraka), which was carried out by the Youth and Sports Service amounting to Rp 350.000.000, with the control of 82 participants and 24 days of execution. The activities with the lowest budget allocation are story telling technical guidance activities carried out by the Library and Archives Service with a budget of Rp 10.000.000 with participants 150 and 1 day of activities.

The building stage of the ASB model includes determining the value of fixed expenses, variable expenses, and cost drivers for each type of activity. The writers used linear regression with the help of SPSS. Afterwards, we calculated minimum spending limits, maximum spending limits, average spending, and percentage of allocation. The relationship between SKPD, Activities, Budget, and Spending on report preparation activities was tested based on the budget data and cost driver. A regression coefficient testing model was created for the preparation of reports. Linear regression test results show the value of R Square to be 0.981 or 98.1% with Sig = 0.001. Statistically this number shows good results because the required significance value is less than 5%. Thus, it can be concluded that the number of participants and the number of days (cost drivers), which are independent variables in this study, jointly affect the dependent variable, total budget. This means that if there is an increase in the number of participants and the number of days, it will cause an increase in the budget.

The formation of a standard expenditure analysis model is based on the regression results by forming the formula of the ASB formula which consists of total expenses, fixed expenses, variable expenses and the cost drivers. The ASB model for training the community that has been formed found an average expenditure of Rp 12.620.594. Based on the calculation of the average amount of expenditure, the minimum spending limit and maximum expenditure, there was a Rp 0 for minimum spending and Rp 30.432.350 for maximum sending. The minimum and maximum spending limits can be used as a reference in assessing the fairness of the budget submitted by each SKPD and can also be used in determining the budget realization.

The next stage is the calculation of the allocation percentage, both for the average allocation, maximum limit allocation, and minimum limit allocation. Allocation is the proportion of spending for an activity. The average is the average proportion of spending for all SKPD in the Wajo district. The minimum limit is the smallest proportion of spending while the maximum limit is the highest proportion. Based on the results of the calculations taken from the ASB documentation/formation table, it was found that clothing spending had the highest expenditure allocation at 75,80%. This is because most of the community training activities create a fairly large budget for clothing. For minimum limit allocation, most spending has a percentage of the minimum limit of 0%. This means

that spending cannot be budgeted if needed in training activities for the community. The object with the least amount of spending print and duplication expenditures of only 2,15%. This is because not all activities include printing and duplication in their budgets.

Documentation /formation is the final stage in the preparation of ASB. This stage designs the ASB format so that it can provide cost drivers/ triggers while providing users with flexibility. Cost drivers are indicated by the formulation to determine the total expenditure ceiling of an activity based on certain performance targets and the number of types of spending that is permitted. Flexibility is shown by the maximum and minimum limits in determining the size of the spending.

Previous research was carried out by Amaliah (2015) showing the results that the ASB model of socialization/extension/training activities produced were  $Y = 8.637.625,793 + 202.423,465X$ . The ASB model for activities is  $Y = 3.259.976,529 + 7,330,594,92X$ . The ASB model for routine/periodic executive car maintenance is  $Y = 1.323.155,218 + 14.346.823,36X$ . Of 143 activities, there were only eight over-financed activities (5.56%) and one underfinanced activity (0.69%). The remaining 134 activities (93.75%) were within a reasonable range. Further research was carried out by Putra (2012) for the 2010 fiscal year in Ngawi district. The results of the research show that the ASB for the Ngawi Regency's Development Planning Agency at Sub-National Level budget is  $Y = 9.417.170,19 + 203.298,09X$ . Based on the percentage of spending allocation, it is known that there are 40% of activities whose implementation of the financial budget is underfinanced, 20% within a reasonable range, and 40% are over-financed. Putra (2012) produced a simple linear regression model using ASB, calculating the minimum and maximum value of the budget, and calculating the percentage of spending allocation for each expense. Based on the percentage of spending allocation, it was found that 40% of the implementation of the financial budget is underfinanced, 20% within reason, and 40% over-financed.

Table 1. ASB Model for Activity

Item	Description
ASB Model	Community training is an activity carried out by a SKPD in Wajo to provide training to people outside of the SKPD jurisdiction in order to obtain a certain expertise.
Cost Driver	Length of training in days and number of participants
Fixed Costs	Rp .291.406,670 per activity
Variable Costs	Rp 251.829,414 per cost driver
Total Spending	Fixed Costs + Variable Costs Rp 4.291.406,670 + (Rp 251.829,414 × Total Days × Total Participants)
Relevant Range	Length: 1 to 3 days Participants: 20 to 150 participants

Developing and implementing the ASB model is as follows:

- a. Finding the ASB model that matches the planned activities. Suitability of the ASB model with planned activities can be found by studying the description of ASB. For example, the budget calculated for Fertilizer and Compost Training of the Industry Office of SKPD required two days

and forty participants. From the ASB list we can see that these activities belong to the ASB-02 TRAINING FOR COMMUNITY group.

- b. Determining the maximum total spending for these activities based on the existing formula. Using the ASB model above, the total expenditure was calculated as follows: Rp 4.291.406,670 + (Rp 251.829,414 × Total Days × Total Participants). From the formula, the total expenditure is Rp 4.291.406,670 + (Rp 251.829,414 × 3 Days × 40 Participants) = Rp 34.510.936,35.
- c. Allocating the total expenditure into its spending components in accordance with the set standard. For example, the planner decides to use the average amount to determine the magnitude of each expense, then the spending distribution is as follows:

Table 2. Allocation of Spending ASB-02

Details	Minimum	Maximum	Average
Event Committee Honorarium	0,00	5,03	10,15
Non-Civil Servant Honorarium	0,00	2,62	7,07
Supplies Expenses	1,45	3,88	6,32
Material Expenses	0,00	9,24	20,10
Printing and Duplicating Expenses	0,00	2,15	4,52
Rent Expenses	0,00	6,20	20,46
Food and Beverage Expenses	0,00	11,68	34,87
Clothing Expenses	0,00	28,19	75,80
City Transport Expenses	0,00	9,57	20,21
Inter-City Transport Expenses	3,19	13,25	23,31
Consultation Expenses	0,00	8,19	18,22

In the previous step, the new spending distribution is equal to the level of the expense. Meanwhile for RKA, the spending is further translated into details of the type of expense. The description of the expense is the policy of each SKPD budget user tailored to the needs of the policy.

For filling in the indicator columns and performance benchmarks, ASB can provide a measurable figure of two performance indicators, namely input indicators and output indicators. The technical filling of these two indicators is as follows:

- a. Fill in the input indicator column with its performance benchmark based on the amount of available funds with the performance target of the ASB ceiling. In the example above, the value is Rp 34.510.936,35.
- b. Fill in the input indicator column with its performance benchmark based on the amount of available funds with the performance target of the ASB ceiling. In the example above, the value is Rp 34.510.936,35.
- c. Fill in the output indicator column with its performance in accordance to the cost driver contained in ASB. In the example above, the value is the Total Days and Total Participants. Then fill in the performance targets in accordance with the targets to be achieved. The example above shows 3 Days and 40 Participants.

### Conclusion

Based on the results and discussion in the previous section, the conclusion the writers have drawn is as follows:

- a. The ASB model for training activities for the community is Rp 4.291.406,670 + (Rp 251.829,414 × Total Days × Total Participants).
- b. The average, maximum and minimum expenditures for this activity is Rp 12.620.594, Rp 30.432.350, and Rp 0, respectively.
- c. The ASB model is functionally similar to the budgeting document used by the local government in preparing the budget, namely the SPM, KUA, PPAS, and Price Unit Standards.

d. ASB is also one of the requirements of performance-based budget implementation so that the activities carried out are believed to be effective, efficient and economical.

The Wajo district should use an ASB in the budgeting process to assess the level of fairness of the budgeted amount. This is necessary to avoid the possibility of over-financing that can burden the budget, or under-financing which can cause the activities to run ineffectively due to a lack of funds.

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