



Incumbent Performance Analysis: Comparison of Regional Government Financial Management Before vs. After Regional Head Elections

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Abstract. This research aims to analyze differences in financial management performance of Regional Governments led by re-elected regional heads between before and after Regional Head Election (PILKADA). Financial management performance is measured based on LHPs Financial Audit Agency (BPK), namely Audit Findings, Audit Opinions and Follow-up Audit Recommendations, as well as measuring regional government financial sustainability, namely Regional Financial Independence, Financial Flexibility, Short-Term Solvency and Service Solvency. conducted in Indonesian areas in 2015, 2017, 2018, and 2020 where regional heads were re-elected in a second term in simultaneous regional elections; the final sample was 391. It indicated that Audit opinions and follow-up to audit recommendations in regions led by incumbents were better after PILKADA than before PILKADA. Meanwhile, Audit findings show no change after PILKADA. Regional financial independence and service solvency improved, but short-term solvency and financial flexibility worsened. This finding shows that although the incumbent shows a high commitment to completing follow-up audit recommendations after PILKADA, there are no efforts to make the implementation of the Government Internal Control System (SPIP) more effective, especially to mitigate and reduce audit findings after PILKADA. This condition can also be seen from the decline in financial flexibility after PILKADA, which shows a lack of mitigation in providing financial resources, especially in increasing income or debt capacity. The Results of this research provides new insights regarding regional government financial management under the leadership of elected regional heads over two periods.

Keywords: Incumbency, Regional Election, Financial Performance, Sustainable Finance

1 Research Background

The incumbent's achievements can be assessed through the score shown in the Regional Government Financial Report (LKPD). (Lewis et al., 2020) research states that when an incumbent in a region accelerates service improvements and runs again, voters are more likely to re elect him compared to an incumbent in a region that is

slow to improve services. This situation provides an opportunity for regional heads who have been elected in the first period to prove their performance to the people who have elected them as Regional Heads, this creates an opportunity for them to be re-elected in the second period. In this regard, research has developed that analyzes the performance of incumbents in managing Regional Government Finances before and after the election of Regional Heads. Some previous research includes, Ingram & Copeland, (1981); Ferraz & Finan, (2008) ;(Pereira et al., 2009) (Furqan et al., 2020) and (Lewis et al., 2020) However, the research is still limited to analyzing how useful financial data from city governments is in influencing voter decisions, comparing general election results in areas that have been audited before and after the 2004 election as well as analyzing the influence of re-election prospects on incumbent behavior and investigating the influence of the findings. audit and follow-up to audit recommendations on the quality of financial reports and the quality of public services in implementing an accrual-based accounting system by local governments in Indonesia and has not specifically analyzed how finances were managed before and after the Pilkada. Therefore, this research aims to compare the performance of financial management in regions whose regional heads were re-elected in the second period. This needs to be done to realize the quality of sustainable regional financial management.

Indonesia is the third largest democratic country in the world and has held five regional head elections (PILKADA) simultaneously. In the context of government reform, democracy is reflected in the opportunities given to the public to elect their leaders directly. General elections are a fundamental element in every country that applies democratic principles in their political system. In the Pilkada, both incumbents and other candidates compete to gain support from voters. Incumbents usually have an advantage in terms of experience and name recognition, such as statements (De Magalhaes, 2015) And (de Benedictis-Kessner, 2018) which states that the incumbent candidate shows a very strong influence. The odds for incumbents to run in the next election increase by around 50% compared to non-incumbents, and incumbents are also almost 50% more likely to run in and win the PILKADA. However, on (Pierskalla & Sacks, 2018) said that the re-election of incumbents did not improve financial management performance and did not result in improvements in access to services.

Regional financial management refers to the way regional governments manage and regulate their financial resources to meet community needs and advance regional development. Regional management involves various aspects that are very important to maintaining financial stability, efficiency and effective use of funds. Effective and transparent regional financial management is very important to support regional development, improve public services and meet community needs. With good and structured financial management, local governments can achieve development goals in a sustainable manner. Regional financial management by the incumbent refers to the way a regional head who is re-elected in the second term manages and regulates his regional finances. Indonesia is the third largest democratic country in the world and has held five regional head elections (PILKADA) simultaneously. In the context of government reform, democracy is reflected in the opportunities given to the public to elect their leaders directly. General elections are a

fundamental element in every country that applies democratic principles in their political system.

This research focuses on 391 regions in Indonesia that held simultaneous regional elections in 2015, 2017, 2018 and 2020 whose regional heads were re-elected in the second period. It is hoped that the benefits of this research can be used as a consideration for improving the quality of regional financial management. Some of the findings from this research are as follows. First, audit findings before and after the Pilkada there is no significant difference. Second, there is a significant difference in the mean audit opinion between before and after the Pilkada. Third, there are differences in the follow-up to audit recommendations between before and after the Pilkada. Fourth, there are differences in levels of financial independence. Fifth, there are differences in financial flexibility before and after the Pilkada. Sixth, there is no difference in short-term solvency before and after the Pilkada and Seventh, there is a difference in service solvency before and after the Pilkada. The results of this research contribute to previous research, namely to fill the gaps in previous research by (Lewis et al., 2020) On political accountability and public service delivery in decentralized Indonesia: benefits of office and performance of second-term mayors. This research provides an explanation regarding differences in the financial management performance of incumbent regional heads who were re-elected based on Audit Findings, Audit Opinions and Follow-up Audit Recommendations, as well as measurements of regional government financial sustainability, consisting of: Regional Financial Independence, Financial Flexibility, Short-Term Solvency and Service Solvency. And also this research contributes to developing previous research related to the analysis of the extent of the influence of audit findings, follow-up to audit recommendations, the quality of financial reporting and public services on vote acquisition carried out by (Furqan et al., 2020)

Second, the research results show that the findings audits before and after the regional elections did not show significant differences as well as financial flexibility and short-term solvency. Conventional wisdom states that politicians in their first term of office will avoid corrupt practices in the hope of being re-elected. However, in research (Pereira et al., 2009) found no evidence to support this view, in line with the results of this study which stated that audit findings before and after the Pilkada were not significantly different. Information in audit reports can also act as a source of information to assess the extent of corrupt practices occurring in the government and also serve as a basis for public political decisions. (Ferraz & Finan, 2008) As for the research results (Ingram & Copeland, 1981) which looked at 113 US cities found that in general, accounting ratios in municipal government financial reports had a significant impact on incumbent mayors' reelection decisions. These results indicate that local government financial reports are considered to reflect the competence of the incumbent mayor in managing and reporting finances and in ensuring fiscal sustainability. In addition, the novelty of this research lies in analyzing financial performance factors, namely financial flexibility and short-term solvency. Therefore, based on these findings it can be concluded that audit opinion, follow-up to audit recommendations, regional independence and service solvency in regions led by incumbents it is better after the Pilkada than before the Pilkada. This means that the incumbent regional head who has been re-elected has improved his performance and followed up on the results of the audit in the previous period. Lastly, the potential that

can be developed in this research is analyzing regional financial performance for all regional heads and not just incumbents or re-elected regional heads. The article unfolds in four parts: reviewing literature, research methodology, hypothesis testing outcomes, and final thoughts with implications, limitations, and further research suggestions. Literature Review and Hypothesis Development

1.1 Public choice theory

Public choice theory basically uses an economic approach to understand political behavior, including voting behavior, political parties, legislative institutions and bureaucracy. This theory examines how information can influence the production and distribution of public goods by governments (Giroux, 1989). In the context of this research, it is assumed that regional heads have the motivation to be re-elected, so they offer good performance to the public through regional government financial management.

1.2 Performance Theory and Support for Elected Incumbents

Assigning responsibility for policymaking is increasingly considered a factor that influences how voters respond to policies, including economic aspects and outcomes (Anderson, 2000) and (Stein, 1990). However, it is often difficult for voters to see the precise impact of small changes in overall employment, inflation or economic activity caused by specific government policies. On the other hand, in choosing a regional head, voters may be more likely to consider how well the regional government services are in determining their choice.

1.3 Differences in audit findings before and after the Pilkada

Corruption will erode democratic legitimacy and lead to the erosion of public support (trust) in the Government (Seligson, 2006). Both judicial institutions, press institutions (media) and auditors were found to have played a role in uncovering corruption cases that occurred in regional government. (Costas-Pérez et al., 2012) for example, in his research on Regional Government in Spain, he found that although the role of the press will be greater, at least the judiciary and press institutions have complementary roles in making the public aware of corruption that occurs in Regional Government, so that when this becomes known to the public, it can influence the incumbent's re-election.

Apart from being able to be used to evaluate the performance of government projects, the information in audit reports can also act as a source of information to assess the extent of corrupt practices occurring in the Government and also serve as a basis for public political decisions. (Ferraz & Finan, 2008) (Ferraz & Finan, 2011). Research in Brazil (Pereira et al., 2009) found that past irregularities in regional governments had no direct impact on re-election. However, increased external audits significantly reduced incumbents' chances of being re-elected. Meanwhile research results (Ferraz & Finan, 2008) with a sample of 373 Regional Governments in Brazil, it was found that regional government audit reports which revealed mayoral activities that met elements of illegal behavior, bribery and theft of resources (corruption) had

an influence on the re-election of incumbent Regional Head officials. These findings were further strengthened by (Ferraz & Finan, 2011) based on the results of his research on 496 Regional Governments in Brazil. They concluded that with the great benefits of audit reports in revealing corruption that occurs in Regional Government, the role of audit in improving the quality of government has functioned effectively, especially in preventing the corrupt behavior of regional heads who intend to run again in the next election as incumbents. Audit reports serve as public judgment tools for regional financial management. High findings before elections are rare, as voters view them as indicators of poor governance and decreased re-election chances (Furqan et al., 2020).

H1. There are differences in audit findings between before and after the Pilkada

1.4 Differences in the quality of financial reporting before and after the Pilkada

Potential fraud in government financial reports undermines investor/creditor confidence and generates significant costs beyond mere inaccuracy. These costs include saddling future generations with debt, reducing citizen trust and welfare, and impacting political trust. (Stalebrink & Sacco, 2007). The economic consequences of fraudulent government financial reports, though impactful (especially for investors/creditors), pale in comparison to the political fallout for involved officials. Therefore, a thorough understanding of political institutions and their influence on elected officials is crucial for delving into the issue of government financial statement fraud. (Stalebrink & Sacco, 2007).

On the research results (Ingram & Copeland, 1981) which examined the relationship between the political consequences of local government financial reporting in 113 cities in the United States, showed that in general the accounting ratios contained in the city government's financial reports had an influence on community decision making, especially on re-electing the incumbent mayor. Therefore, when the quality of regional government financial reporting is interpreted as the ability of the incumbent Regional Head in managing and reporting Regional Government finances and ensuring fiscal sustainability, it can be said that improving the quality of Regional Government financial reporting can increase public trust in the incumbent, so that it will have an impact on vote acquisition. the incumbent and the re-election of the incumbent in the next regional head election. Based on the results of previous research, it is likely that there will be an increase in the quality of financial reporting after the Pilkada to show the public that the performance of the incumbent regional head is good in financial management and reporting.

H2. There are differences in the quality of financial reporting between before and after the Pilkada

1.5 Differences in follow-up to audit recommendations before and after the Pilkada

A close examination of financial records can uncover weaknesses in various areas, from financial management and internal controls to operational efficiency and adherence to regulations. This can, in turn, expose instances of corruption in the

handling of public money (Cohen & Leventis, 2013; Johnson et al., 2012; Liu & Lin, 2012). Auditors offer recommendations to address problems uncovered during audits. (Furqan et al., 2020)

Audits heal current concerns and offer safeguards against repeat offenses. (Eckersley et al., 2014). The hope is that when the follow-up audit recommendations are carried out properly by the auditee, the implementation of the internal control system and compliance with statutory regulations in the following period can be implemented more precisely, effectively and efficiently. (Furqan et al., 2020). Implementation of follow-up audit recommendations can also illustrate the regional government's commitment to making the internal audit function more effective and realizing accountability in regional financial management. When the follow-up to audit recommendations is interpreted as a manifestation of the commitment of the Regional Head (incumbent) in enforcing the law and realizing accountability, increasing the follow-up to audit recommendations can have a positive impact on public satisfaction/trust in the performance of the Government which results in the re-election (or vote acquisition) of the incumbent in the next regional head election (Gabrini, 2013). Based on these studies, it is likely that there will be an increase in follow-up to audit recommendations after the Pilkada, because regional heads who are re-elected in the second period will follow up on audit opinions on their region's financial performance.

H3. There are differences in the follow-up to audit recommendations between before and after the Pilkada

1.6 Differences in the level of financial independence before and after the Pilkada

Traditional financial ratios, like those measuring profitability, liquidity, and debt, remain irreplaceable tools for gauging a company's financial well-being and performance. (Beaver et al., 2005; Wu et al., 2010). Research points to warning signs of corporate distress: low revenue, plummeting income, meager working capital, and hefty debt burdens. While private-sector bankruptcy prediction leans heavily on market data, the public sector lacks such indicators. With local governments mandated to deliver core services in often homogenous environments, our model focuses on readily available financial ratios and relevant socio-economic factors like population, land size, and urbanization, known to influence financial health. (Cabaleiro et al., 2013; Wang et al., 2007).

Next, the research results Ingram & Copeland, (1981) shows that in general the accounting ratios contained in the City Government's financial reports have an influence on community decision making, especially on re-electing the incumbent mayor. Therefore, when the quality of regional government financial reporting is interpreted as the ability of the incumbent Regional Head in managing and reporting Regional Government finances and ensuring fiscal sustainability, it can be said that improving the quality of Regional Government financial reporting can increase public trust in the incumbent, so that it will have an impact on vote acquisition. the incumbent and the re-election of the incumbent in the next regional head election. Based on the results of previous research, it is likely that there will be an increase in

regional financial independence managed by re-elected regional heads in the second period.

H4. There is a difference in the level of financial independence between before and after the Pilkada

1.7 Differences in financial flexibility before and after the Pilkada

Financial flexibility refers to the government's ability to increase financial resources with the aim of increasing revenue and debt capacity. According to (Isufaj, 2017) Increasing local government accountability plays an important role in achieving this. By increasing accountability, local governments can be more responsive to the needs and desires of citizens, which in turn increases public trust in government. One of the key factors in increasing responsibility is the best possible distribution of public resources and services. To increase responsibility, citizens must have a good understanding of their requirements and needs, so that government priorities can match community needs.

H5. There is a difference in financial flexibility between before and after the Pilkada

1.8 Differences in short-term solvency before and after the Pilkada

Short-term solvency refers to the ability of local governments to meet their financial obligations in the short term. According to research (Isufaj, 2017) One factor that can increase responsibility is the optimal distribution of public resources and services. To increase responsibility, it is important for citizens to understand their requirements and needs, so that the government can address problems according to existing priorities. A high level of responsibility requires an adequate level of autonomy, which is the basis for meeting democratic standards in the implementation of government functions.

H6. There is a difference in short-term solvency between before and after the Pilkada

1.9 Differences in service solvency before and after the Pilkada

Service solvency is the ability of local governments to provide services needed by the community. Study (Furqan et al., 2020) Digging into the connections between finances and public services: This study analyzes the impact of financial report quality on service delivery, as well as how audits and follow-up actions influence both financial reporting and public service outcomes. Drawing on data from 491 districts across three years, it empirically demonstrates the link between accounting and public service audits. It identifies key drivers of good public service, including the use of accrual accounting for accurate financial reports, external audit findings, and internal follow-up on recommendations. So it is possible that service solvency will increase in the year after the Pilkada.

H7. There is a difference in service solvency between before and after the Pilkada

2 Methodology

2.1 Data

This research was conducted in Indonesia, specifically in the 2015, 2017, 2018 and 2020 Pilkada. These years were the years where the pilkada was held simultaneously. According to the results of data processing from the General Election Commission, it shows that in the 2015 simultaneous regional elections which took place in 269 regions, there were 16.7% incumbents out of 1,486 prospective candidates. Meanwhile, in the 2017 simultaneous regional elections in 101 regions, there were 15.5% incumbents out of a total of 674 prospective candidates. Meanwhile, in the 2018 simultaneous regional elections which took place in 171 regions, there were 19% incumbents out of 1,162 prospective regional head and deputy regional head candidates. The number of incumbents returning to take part in the Pilkada continues to increase in 2020, there are 25% incumbents out of a total of 1,324 prospective candidates taking place in 270 regions. All data used in this research comes from Indonesian Government agencies, namely from the Financial Audit Agency (inspection/audit report on LKPD) for data on audit findings, follow-up audit recommendations and quality of financial reporting. And the percentage of incumbent participation comes from data processing from the General Election Commission.

2.2 Empirical Model and Operationalization of Variables

This different test model can be used to analyze research with before and after research models. The T test is a statistical analysis technique used to determine the difference between two sample means (Ananda & Fadhli, 2018). The reason the research uses the paired sample t test analysis tool is because the research uses paired or identical samples. The paired samples in this study are the same subject, namely financial performance both in the year before and the year after.

The main variables in this study are FINDING, FOLUP, FINQD, FISKALMANDIRI, FLEKSKEU, SOLVJKPENDEK, LNSOLVLAY. All variables are variables related to the external auditor's inspection report. FOLUP is a variable for follow-up audit recommendations, this variable is measured by the percentage of the number of follow-up audit recommendations that have been implemented by the Regional Government and in accordance with audit recommendations divided by the total audit recommendations provided by BPK auditors. FINQD is a LKPD quality variable, this variable is measured by an audit opinion dummy variable, namely "1" if the opinion is unqualified, "0" if otherwise, when the Regional Government gets a WTP opinion then the quality of financial reporting is good, whereas if vice versa then the quality of financial reporting bad or less good. FINDING is an audit findings variable, this variable is measured by the number of audit findings disclosed by the auditor in the audit report on the LKPD. FISKALMANDIRI is a variable that reflects the ability of regional governments led by regional heads who were re-elected in the second period to manage finances independently and has a significant impact on financial stability. FLEKSKEU is a variable that is measured by the ability of regional governments to adapt financial strategies to market and policy changes. .

SOLVJKPENDEK is a variable measured by the local government's ability to fulfill its financial obligations in a short period of time, and LNSOLVLAY is a variable measured by the number of public services available.

Additional analyzes in this study are FSPI, FLAW, FLAWLOSS, RFLAW, RFLAWLOSS and RFOLUP. FSPI, FLAW and FLAWLOSS are variables for different types of audit findings based on number. RFLAW and RFLAWLOSS are types of audit findings based on rupiah. Meanwhile, RFOLUP is a difference in follow-up to audit recommendations based on rupiah.

To provide an overview of the concise operationalization of variables and data sources for this research can be seen in table 1.

Table 1. Operationalization of Variables and Data Sources

Name	Variable Operationalization	Data source
FINDING	One year's Audit Findings are measured by the total number of audit findings during the audit process of Regional Government Financial Reports	Financial Audit Agency (BPK).
FOLUP	Follow-up to Audit Recommendations is measured by the percentage of the number of audit recommendations that are in accordance with the audit recommendations divided by the total number of audit recommendations	Financial Audit Agency (BPK).
FINQD	The quality of financial reporting is measured by the audit opinion dummy, namely "1" if the opinion is unqualified, "0" otherwise.	Financial Audit Agency (BPK).
FISCALINDEPENDENT FISCAL	is a variable of government independence in managing its finances independently	Financial Audit Agency (BPK).
FLEKSKEU	is a variable of local government's ability to adapt financial strategies to market and policy changes	Financial Audit Agency (BPK).
SOLVJK SHORT	is a variable of local government's ability to fulfill its financial obligations in a short period of time	Financial Audit Agency (BPK).
LNSOVLAY	is a variable of local government's ability to provide public services	Financial Audit Agency (BPK).
FSPI	is a variable for the types of audit findings based on number	Financial Audit Agency (BPK).
FLAW	is a variable for the number of audit findings that are indicated to cause regional losses	Financial Audit Agency (BPK).
FLAWLOSS	is a variable for the types of audit findings based on rupiah	Financial Audit Agency (BPK).
	is a variable for the types of audit findings based on rupiah	Financial Audit Agency (BPK).

Name	Variable Operationalization	Data source
RFLAW	is a follow-up variable to audit recommendations based on rupiah	Financial Audit Agency (BPK).
RFLAWLOSS		Financial Audit Agency (BPK).
RFOLUP		Financial Audit Agency (BPK).

Data Source: Processed by Researchers (2023)

3 Research result

Based on the results of research that examines the comparison of regional government financial management before and after the Pilkada, there are several things that can be explained in this research, namely as follows:

3.1 Descriptive Statistics

Descriptive statistics of research data are presented in two conditions, namely before and after the Pilkada, which can be seen in full in the following table:

Table 2. Statistical Description of Variables

	Mean	Std. Dev.	Min	Max
Folup	78,440	14,832	0	100
Rfolup	49,907	31,102	0	114.72
Finqd	0.771	0.420	0	1
Finding	21,258	8,989	0	70
FSPI	10,396	5,441	0	50
Flaws	10,861	5,348	0	39
Flawloss	4,524	3,106	0	20
Rflaw	20,648	3,413	0	26.39
Rflawloss	19,519	4,855	0	24.21
Fiscalmandiri	12,382	11,369	0.14	87.27
Flexkeu	2,269	1,032	0.82	18.33
Solvjkshor-t	827,048	17194.5	0	472282.8
Lnsolvlay*	10,937	13,182	1.00	138.33

Number of Observations = 782

Operational explanation of variables in table 1

	Mean	Std. Dev.	Min	Max
*) In million rupiah				
Data Source: Processed by Researchers 2023 (Stata-14 Output)				

The results of descriptive statistical testing for all variables analyzed in this study have a total of 782 data from each variable observed. The results of data analysis show that the mean variable Finding is 21.258, meaning that the average regional government in the sample has low audit findings. . The Folup variable has a mean of 78,440 This means that on average the regional governments in the sample have quite high follow-up on audit recommendations. The Finqd variable has a mean of 0.771 This means that the local government in the sample has an audit opinion outside the WTP. In this study there are also financial independence variables, Fiscalmandiri has a mean of 12,382 This means that the regional governments in the sample still have a relatively low level of fiscal independence. The Flexkeu variable shows a mean of 2,269 This means that the regional governments in the sample have not formulated financial strategies for market changes and policies have not been optimal. Next, variables Solvjks short has a mean of 827,048 This means that the regional government in the sample is not yet capable to meet its financial obligations in the short term. Then, the last variable namely Lnsolvlay has a mean of 10.94, meaning that the government in the sample has not been able to provide and maintain the quality of services needed and desired by the community. Additional variable Fspi, Flaws, Flawloss, Rflaw, Rflawloss and Rfolup has a mean of 10,396, 10,861, 4,524, 20,648, 19,519 and 49,907.

3.2 Hypothesis test

Paired Sample T test on differences in the quality of financial reporting (audit opinion) before and after the election

Table 3. Differences in Audit Opinions Before the Pilkada and After the Pilkada

Variable	Mean before	Mean after	T	Sig	Information
Finqd	0.687	0.854	-7,979	0,000***	Significant
Obs = 391					
Afinqd, is a dummy variable for audit opinion one year before the regional elections					
Finqda, is a dummy variable for audit opinion one year after the regional elections					
***, **, * = P-Value is significant 1%, 5%, 10%					

Table 4 shows that there is a significant difference in mean audit opinion between before and after the Pilkada with a significance level of 0.000. Based on these results, it has been shown that the opinion issued by the auditor regarding the

level of fairness of regional financial reports is led by an incumbent is better after the Pilkada than before the Pilkada. The results obtained from testing this hypothesis indicate that there has been an increase in performance by the regional government led by the incumbent Regional Head who was re-elected in the second period. As explained by previous research Setyaningrum (2017) And Din et al (2017) It's not just about the audit itself, it's what comes after. Research shows that regional governments consistently addressing audit recommendations through follow-up actions experience a notable positive impact on their financial reporting quality, as reflected in unqualified audit opinions in the subsequent year. And statements on research (Furqan et al., 2020) Accrual accounting, external audits, and internal action on findings – key drivers of better public service in local governments.

Paired Sample T test on differences in audit findings before and after the election

Table 4. Differences in Audit Findings Before the Pilkada and After the Pilkada

Variable	Mean Before	Mean After	T	Sig	Information
Finding	21,337	21,179	0.305	0.760	Not significant

Information:

Obs = 391

Afinding, is a variable before the regional elections

Fidninga, is a variable after the regional elections

***, **, * =P-Value is significant 1%, 5%, 10%

Table 5 shows that the mean audit findings between before and after the Pilkada were not significant with a result of 0.760. This shows that the audit findings were before and after the Pilkada there is no significant difference. Audits can shine a light on hidden problems in government finances, from weak controls and operational inefficiencies to rule-breaking and potential corruption, all impacting how public money is managed (Cohen & Leventis, 2013)

(Cohen & Leventis, 2013; Johnson et al., 2012; Liu & Lin, 2012). Few audit findings in a region suggest strong financial management, backed by solid internal controls and regulatory compliance. This illustrates that the implementation of activities in local government is running efficiently, effectively and responsibly. On the other hand, if the number of audits increases, it shows that the internal control system has not been implemented properly and the level of compliance with laws and regulations in local government is still low.(Furqan et al., 2020)

Paired Sample T test on the Differences in Follow-up to Audit Recommendations Before the Election and After the Election

Table 5. Differences in Follow-up to Audit Recommendations Before the Election and After the Election

Variable	Mean Before	Mean After	T	Sig	Information
Folup	76,598	80,282	-6,674	0,000* **	Significant

Information:
 Obs = 391
 Afolup, is a variable before the regional elections
 Folupa, is a variable after the regional elections
 ***, **, * =P-Value is significant 1%, 5%, 10%

Table 6 shows that there are differences in the follow-up to audit recommendations between before and after the Pilkada significant with a significance level of 0.000. Based on these results, it shows that there are steps taken by the incumbent regional head who has been re-elected in the second period and all authorized officials to correct errors in accordance with the suggestions issued by the auditor based on the results of the audit of regional government financial reports. According to a 1991 Government Accountability Office (GAO) report, when recommendations are made to the auditee, management is responsible for implementing them. However, auditors have an important role in increasing the chances that these recommendations will be implemented well, by providing recommendations that truly address the root of the problem and carrying out monitoring. Thus, these recommendations can be implemented effectively by the audited party.

Table 6. Differences in Financial Independence Before the Pilkada and After the Pilkada

Variable	Mean Before	Mean After	T	Sig	Information
Fiscalmandiri	11,777	12,987	-8,499	0.0000** *	Significant

Information:
 Obs = 391
 Afiska~i, is a variable before the regional elections
 Fiscal~a, is a variable after the regional elections
 ***, **, * =P-Value is significant 1%, 5%, 10%

Table 7 shows that one year after the Pilkada the average level of regional independence was higher than in the year before the Pilkada and had a significance of 0.000. These results indicate that the regional head was elected returning in the second period, continuing to maximize local revenue to be managed independently. The increase in financial independence which increased one year after the regional elections could reflect that the incumbent carried out policy continuity, made efficient use of resources, continued the sustainable development plan that had been prepared

previously, this could create a clear framework for better budget allocation and use of appropriate funds. more efficient.

Table 7. Differences in Financial Flexibility Before the Pilkada and After the Pilkada

Variable	Mean Before	Mean After	T	Sig	Information
Flexkeu	2,335	2,204	25, 882	0.0 10***	Significant

Information:

Obs = 391

Aflex~u, is a variable before the regional elections

Flexk~a, is a variable after the regional elections

***, **, * =P-Value is significant 1%, 5%, 10%

Table 8 shows that financial flexibility in the year before the PILKADA showed a higher figure than in the year before the PILKADA. This shows a lackmitigation in providing financial resources, especially in increasing income or debt capacity. A high debt burden can be a factor that can reduce financial flexibility. High debt payments can eat up a large portion of income and hinder the ability to allocate funds for other purposes. Furthermore, inefficient financial management. The lack of financial flexibility can also be caused by inefficient regional financial management carried out in the second period after election.

Table 8. Differences in Short Term Solvency Before the Election and After the Election

Variable	Mean Before	Mean After	T	Sig	Information
Solvjkshort	1618,729	35,366	1,288	0.1984	Not Significant

Information:

Obs = 391

Asolvj~k, is a variable before the regional elections

Solvjk~a, is a variable after the regional elections

***, **, * =P-Value is significant 1%, 5%, 10%

In table 9, short-term solvency shows insignificant results. These results show that there is no difference in the ability of regional governments to settle short-term obligations both before and after the Pilkada, this can be caused by several factors, one of which is responsible debt management. If local governments are able to pay short-term debt obligations on time then there is no significant difference in short-term solvency.

Table 9. Differences in Service Solvency Before the Election and After the Election

Variable	Mean Before	Mean After	T	Sig	Information
Lnsolvlay	15,835	15,865	-2,658	0.0082***	Significant

Information:

Obs = 391

Alnaol~y, is a variable before the regional elections

Lnsolv~a, is a variable after the regional elections

***, **, * =P-Value is significant 1%, 5%, 10%

In table 10, the results of service solvency show an increase mean one year after the local elections. This means that the incumbent who becomes regional head in the second period is able to increase the provision of services needed and desired by the community by collaborating with the private sector or non-governmental organizations and other institutions that can become partners to provide the services needed by prioritizing the services needed. important for society.

Additional Testing: Influence of each type of Audit Findings and Follow-up Audit Recommendations

To analyze the effect of various audit findings on re-elected regional governments, the BPK audit report categorizes findings into two groups: internal control weaknesses and non-compliance with regulations, including those causing financial losses. This categorization allows for a sensitive research model and a clearer understanding of how different types of findings and follow-up actions influence financial management. (Focuses on research methodology)

Table 10. Additional Test Results

Variable	Mean Before	Mean after	T	Sig	Information
FSPI	10,629	10,163	1,3 52	0.177	Not significant
Flaws	10,708	11,015	- 1,051	0.293	No Significant
Flawloss	4,437	4,611	- 0.935	0.350	Not significant
Rflaw	20,692	20,605	0.4 11	0.680	Not significant

Rflawloss	19,491	19,547	0.184	0.853	Not significant
Rfolup	39,634	60,141	12,594	0,000	Significant

Source: Secondary data, STATA-14 output (Processed, 2023).

Table 10 presents additional test results, including: the number of internal control weaknesses (Fspi), the total non-compliance findings (Flaw), the number of non-compliance findings causing regional losses (Flawloss), the total financial value of non-compliance findings (Rflaw), the financial value of non-compliance findings with losses (Rflawloss), and the total financial value of recommended follow-up actions (Rfolup).

4 Conclusion

The main aim of this research is analyze the performance and compare the financial management of regional heads who were re-elected in the second period (Incumbent) through analysis of several measures, namely Audit Findings, Audit Opinion, Follow-up to Audit Recommendations, Financial Independence, Financial Flexibility, Short Term Solvency and Service Solvency. Using secondary data sourced from audit reports from the Supreme Audit Agency (BPK) in 2015, 2017, 2018, 2020 with a final sample of 391 observations. Results research shows that Audit opinions and follow-up to audit recommendations in regions led by incumbents were better after the Pilkada than before the Pilkada. Meanwhile, the audit findings showed no differences between the two. In addition, related to the financial sustainability of Regional Governments, although regional financial independence and service solvency were found to be better after the PILKADA than before the PILKADA, there was no difference in short-term solvency, in fact financial flexibility was found to be lower after the PILKADA than before the PILKADA. This finding shows that although the incumbent shows a higher commitment in completing follow-up audit recommendations after the PILKADA, however, there are no efforts to make the implementation of the Government Internal Control System (SPIP) more effective, especially to mitigate and reduce audit findings after the PILKADA. This condition can also be seen from the decline in financial flexibility after the Pilkada, which can indicate a lack of mitigation in providing financial resources, especially in increasing income or debt capacity. Results This research provides new insights regarding regional government financial management under the leadership of elected regional heads for two periods, especially in the context of realizing sustainable regional government financial performance stability.

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