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## RESEARCH ARTICLE

# Analyzes The Performance of The Budget Expenditure in the Law Division of the Mataram City Regional Secretariat

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**Abstract:** This research analyzes the performance of the budget expenditure in the Law Division of the Mataram City Regional Secretariat. The aim is to determine how the performance of budget expenditure is viewed through variance analysis, expenditure growth analysis, expenditure compatibility analysis, and expenditure efficiency ratio analysis. This study employs a descriptive approach with quantitative data, while the data collection techniques used are observation, documentation, and interviews. The results of this study indicate that the performance of budget expenditure, as seen from the variance analysis of the expenditure during the period of 2017-2021, is considered good. The performance of budget expenditure, based on the expenditure growth analysis during the period of 2017-2021, tends to decrease, but it is not due to poor performance. Therefore, the performance of budget expenditure is still considered good. The expenditure performance, viewed from the expenditure compatibility analysis, is good for operational expenses, while capital expenditures were only carried out in 2018-2019. The performance of budget expenditure, as seen from the expenditure efficiency ratio analysis, is very good, as the budget realization does not exceed the budget, and since the result is less than 100%, the Law Division of the Mataram City Regional Secretariat has achieved budget efficiency.

**Keywords:** Budget Performance, Expenditure Budget

## 1. Introduction

Local Government is an institution responsible for managing all matters related to their respective regions for the well-being and sustainability of the residents in the area. In order to improve the quality of life and develop the region, expenditures are required to maximize the development of facilities and public infrastructure needed by the local community. Therefore, all costs incurred by the region for expenses and development are funded through the Regional Budget (APBD) or Regional Revenue and Expenditure Budget. The local government has a method for managing the APBD, which is by preparing the Local Government Financial Statements (LKPD) aimed at providing useful information for decision-making and demonstrating the accountability of the reporting entity for the resources entrusted to the local government. There are four types of local government financial reports, namely the Budget Realization Report, Balance Sheet, Cash Flow Statement, and Notes to the Financial Statements. (Badan Pemeriksa Keuangan, n.d.)

The Budget Realization Report (LRA) according to PMK Number 231/PMK.07/2020 is a report that presents information on the realization of revenue, transfer expenditure, surplus/deficit, financing, and the remaining balance of the budget compared to its budget



in a specific period (PMK Nomor 231/PMK.07/2020, 2020). Furthermore, the Document on the Implementation of Budget for Regional Work Units (DPA-SKPD) is a document that contains the revenue and expenditure of the Regional Work Units (SKPD) or a document that includes revenue, expenditure, and financing of SKPD carrying out the functions of the general regional treasury and serves as the basis for budget implementation by budget users as stated in Government Regulation Number 12 of 2019 concerning Financial Management of Regional Governments.

The Mataram City Regional Secretariat also plays a role in implementing and managing the local government's financial affairs in Mataram City (Wahida et al., 2022). The Mataram City Regional Secretariat consists of nine divisions, namely the Government Division, People's Welfare Division, Legal Division, Economy and Natural Resources Division, Development Administration Division, Goods and Services Procurement Division, General Division, Organization Division, and Protocol and Communication Division. (Walikota Mataram, 2020)

The Law Division of the Mataram City Regional Secretariat is one of the divisions that prepares the APBD Implementation Document annually or quarterly within a year. This document will then be handed over to the General Division for further action to become the Annual Budget Realization Report of the Mataram City Regional Secretariat.

**Table 1:** Budget Expenditure Realization Fiscal Year 2017-2021

Tahun	Anggaran	Realisasi
	(Rp)	(Rp)
2017	1.560.638.000	1.462.573.062
2018	1.644.378.000	1.565.576.100
2019	1.469.378.000	1.375.361.397
2020	1.218.740.376	1.141.595.860
2021	1.034.992.752	971.699.320

## 2. Literature Review

### 2.1. Government Accounting

Accounting is the process of identifying, recording, measuring, classifying, summarizing financial transactions and events, presenting reports, and interpreting the results. Government accounting, on the other hand, is the process of preparing financial statements within the scope of central and local government. Government Accounting Standards, abbreviated as SAP, are accounting principles applied in the preparation and presentation of government financial statements based on Government Regulation Number 71 of 2010 concerning Government Accounting Standards. (BPK, 2010)

Mayor Regulation of Mataram City Number 8 of 2016 on Amendments to Mayor Regulation Number 13 of 2014 on Government Accounting Policies of Mataram City states that the financial reporting of Mataram City Government uses an accrual basis, both in recognizing revenue, expenditures, as well as recognizing assets, liabilities, and equity. (Walikota Mataram, 2016)

### 2.2. Regional Budget

A budget is a systematically prepared plan expressed in monetary terms that encompasses all activities of an organization for a specific period in the future. According to Mayor Regulation of Mataram City Number 8 of 2016 on Amendments to Mayor Regulation Number 13 of 2014 on Government Accounting Policies of Mataram City, a budget is a guideline for actions to be carried out by the central or local government, including plans for revenue, expenditures, transfers, and financing, measured in Indonesian Rupiah and systematically arranged according to specific classifications within a certain period.



### *2.3. Expenditure Accounting*

Expenditure accounting is prepared to meet accountability requirements in accordance with regulations and can be developed for management control purposes to assess the effectiveness and efficiency of expenditures based on Mayor Regulation of Mataram City Number 8 of 2016 on Amendments to Mayor Regulation Number 13 of 2014 on Government Accounting Policies of Mataram City. Expenditures are recognized at the time of disbursement from the general regional cash account. Expenditures can be classified according to economic classifications, meaning expenditures are grouped based on the type of expenditure to carry out an activity.

### *2.4. Analysis of Regional Expenditure Performance*

Regional expenditures, according to (Mahmudi, 2019), can be defined as the expenses from the General Regional Cash Account that reduce equity in the respective fiscal year and will not be reimbursed by the local government.

#### *a. Expenditure Variance Analysis*

Variance analysis is an analysis of the difference between actual expenditures and budgeted expenditures. The difference between budgeted expenditures and actual expenditures is categorized into two types: Favourable Variance and Unfavourable Variance.

#### *b. Expenditure Growth Analysis*

Expenditure growth should be accompanied by balanced revenue growth because if not, it can disrupt the balance and fiscal health of the region in the medium term. Expenditure growth analysis is conducted to determine the extent of growth in each expenditure category, whether the growth is rational and can be justified. (Mahmudi, 2019)

#### *c. Expenditure Harmony Analysis*

Expenditure harmony analysis is useful to assess the balance among expenditures. The analysis of operating expenditures to total expenditures is a comparison between the total realization of operating expenditures and total regional expenditures. Meanwhile, the analysis of capital expenditures to total expenditures is a comparison between the total realization of capital expenditures and total regional expenditures.

#### *d. Expenditure Efficiency Ratio*

The expenditure efficiency ratio is the comparison between actual expenditure realization and budgeted expenditures. This ratio is used to measure the level of budget savings achieved by the government in accordance with (Mahmudi, 2019)'s statement. The local government is considered to have achieved budget efficiency if the result of this analysis is less than 100%.

## **3. Research Method and Materials**

### *3.1. Types of Research*

The type of research used in this study is quantitative descriptive research.

### *3.2. Research Location*

The location of this research is the Law Division of the Mataram City Regional Secretariat, located at Jl. Pejangik No.16, Mataram Barat, Selaparang District, Mataram City, West Nusa Tenggara.

### *3.3. Data Analysis Technique*

The variables used in this research are:

#### *a. Expenditure Variance Analysis*

$$\text{Expenditure Variance} = \text{Actual Expenditure} - \text{Budgeted Expenditure}$$



In this analysis, there are criteria for evaluating the results according to (Mahmudi, 2010), which are as follows:

**Table 2:** Criteria for Expenditure Variance

Expenditure Variance Criteria	Measurement
Good	Actual Expenditure < Budgeted Expenditure
Not Good	Actual Expenditure > Budgeted Expenditure

b. Expenditure Growth Analysis

$$AEG_t = \frac{\text{Actual Expenditure Year}_t - \text{Actual Expenditure Year}_{t-1}}{\text{Actual Expenditure Year}_{t-1}} \times 100\%$$

Where:

$AEG_t$  = Annual Expenditure Growth in year t

According to (Mahmudi, 2010), the evaluation of expenditure growth performance must follow the applicable criteria:

**Table 3:** Criteria for Expenditure Growth

Criteria	Measurement
Increase	Positive
Decrease	Negative

c. Expenditure Balance Analysis

This analysis is useful to determine the balance between expenditures and compare the priorities of operational expenditures and capital expenditures conducted by The Law Division of the Mataram City Regional Secretariat.

1) Analysis of Operational Expenditure to Total Expenditure

$$\text{Operational Expenditure Ratio} = \frac{\text{Total Operational Expenditure}}{\text{Total Regional Expenditure}} \times 100\%$$

2) Analysis of Capital Expenditure to Total Expenditure

$$\text{Capital Expenditure Ratio} = \frac{\text{Total Capital Expenditure}}{\text{Total Regional Expenditure}} \times 100\%$$

d. Expenditure Efficiency Ratio

$$\text{Expenditure Efficiency Ratio} = \frac{\text{Actual Expenditure}}{\text{Budgeted Expenditure}} \times 100\%$$

The criteria for expenditure efficiency according to (Mahsun, 2012) are as follows:

**Table 4:** Criteria for Expenditure Efficiency

Efficiency Criteria	Efficiency Percentage
>100%	Inefficient
100%	Balanced Efficiency
<100%	Efficient

## 4. Results and Discussion

### 4.1. Budget Performance viewed from Variance Analysis of Expenditure

Based on the analysis of expenditure variance conducted by the Law Division of the Regional Secretariat of Mataram City from 2017 to 2021, it is known that the year 2018 had the smallest difference between actual expenditure and budgeted expenditure compared to other years. The percentage for 2018 shows 95%, while the percentages for 2017, 2019, 2020, and 2021 are all 93%.



**Table 5.** Data from Variance Analysis of Expenditure

Year	Budgeted Expenditure	Actual Expenditure	Variance	%
2017	1,560,638,000	1,462,573,062	(98,064,938)	93.72%
2018	1,644,378,000	1,565,576,100	(78,801,900)	95.21%
2019	1,469,378,000	1,375,361,397	(94,016,603)	93.60%
2020	1,218,740,376	1,141,595,860	(77,144,516)	93.67%
2021	1,034,992,752	971,699,320	(63,293,432)	93.88%
<b>Average</b>	<b>1,385,625,426</b>	<b>1,303,361,148</b>	<b>(82,264,278)</b>	<b>94.02%</b>

Source: Data processed (2023)

According to the interview with the respondents regarding the reasons for the difference between budgeted expenditure and actual expenditure, it is found that the lengthy planning process caused delays in its approval. Additionally, discrepancies occurred in the amount of allocated funds and the actual prices of goods during the procurement process, resulting in variance. Regarding the impact of expenditure variance, it can have both beneficial and detrimental effects. It is beneficial when the actual expenditure is lower than the budgeted expenditure and detrimental when the actual expenditure exceeds the budgeted amount. When it comes to the tolerance level for variance, the Law Division of the Regional Secretariat of Mataram City stated that there is no tolerance.

From the above explanations, it can be concluded that the budget performance of the Law Division of the Regional Secretariat of Mataram City, viewed from the variance analysis of expenditure, is considered good as the actual expenditure exceeded the budgeted expenditure during the period of 2017-2021.

#### 4.2. Budget Performance viewed from Expenditure Growth Analysis

**Table 6:** Data from Expenditure Growth Analysis

Year	Actual Expenditure	Expenditure Growth (%)
2016	1,125,980,400	-
2017	1,462,573,062	29.89%
2018	1,565,576,100	7.04%
2019	1,375,361,397	-12.15%
2020	1,141,595,860	-17.00%
2021	971,699,320	-14.88%
<b>Average</b>	<b>1,303,361,148</b>	<b>-1.42%</b>

Source: Data processed (2023)

Based on the analysis of expenditure growth data, it is evident that the growth tends to decline. In 2017, the expenditure growth rate was relatively high, but it experienced a significant decrease in the following years. From 2019 to 2021, the expenditure growth was negative. One of the causes for this decline in expenditure growth is the occurrence of events such as the earthquake in 2018 and the COVID-19 pandemic, which affected the flow of funds to the department.

From the interview conducted with the Law Division of the Secretariat of Mataram City Government regarding the steps taken during the decrease in expenditure, it was found that they adjusted the needs to the available budget, even though it would result in a decrease in expenditure realization. The Law Division of the Secretariat of Mataram City Government stated that in order to maintain stable expenditure growth for the following year, they must have a consistent and adequate budget to meet the market prices.

From the above discussion, it can be seen that the analysis of expenditure growth data by the Law Division of the Secretariat of Mataram City Government tends to be negative, which



is caused by the decrease in the previous year's expenditure budget. Although it was positive in 2017 and 2018, the decrease was significant. Since the decrease in the growth value of the Legal Division's expenditure is not due to poor performance, the expenditure budget performance, as seen from the analysis of expenditure growth, has been good.

#### 4.3. Expenditure Budget Performance seen from Expenditure Compatibility Analysis

**Table 7:** Data of Operational Expenditure Ratio

Year	Total Regional Expenditure (Realization)	Total Operational Expenditure	Expenditure Ratio (%)
2017	1,462,573,062	1,462,573,062	100.00%
2018	1,565,576,100	1,549,099,100	98.95%
2019	1,375,361,397	1,347,861,397	98.00%
2020	1,141,595,860	1,141,595,860	100.00%
2021	971,699,320	971,699,320	100.00%
Average	1,303,361,148	1,294,565,748	99.39%

Source: Processed Data (2023)

Based on the analysis of expenditure compatibility data for operational expenditure, it is known that the operational expenditure ratio of the Law Division of the Secretariat of Mataram City Government was 98% in 2018 and 2019, while for the years 2017, 2020, and 2021, it had a value of 100%. Furthermore, the analysis of expenditure compatibility data for capital expenditure reveals that in 2018 and 2019, the respective ratios were 1.05% and 2.00%.

From the interview with the Law Division of the Secretariat of Mataram City Government regarding capital expenditure, which was only carried out in 2018 and 2019, they stated that capital expenditure proposals are made when there is a necessary need. Operational expenditure is more like equipment expenses with a maximum useful life of only 1 year, while capital expenditure involves equipment with a useful life of more than 1 year, so capital expenditure is not as frequent as operational expenditure.

From the above discussion, it can be concluded that the Law Division of the Secretariat of Mataram City Government conducts operational expenditure every year and only incurs capital expenditure when there is a need.

#### 4.4. Expenditure Budget Performance seen from Expenditure Efficiency Ratio

**Table 9:** Data of Expenditure Efficiency Ratio

Year	Expenditure Realization	Expenditure Budget	Expenditure Efficiency Ratio
2017	1,462,573,062	1,560,638,000	93.72%
2018	1,565,576,100	1,644,378,000	95.21%
2019	1,375,361,397	1,469,378,000	93.60%
2020	1,141,595,860	1,218,740,376	93.67%
2021	971,699,320	1,034,992,752	93.88%
Average	1,303,361,148	1,385,625,426	94.02%

Source: Processed Data (2023)

Based on the analysis of the expenditure efficiency ratio data, it is known that the ratio was 95% in 2018 and 93% in 2017, 2019, 2020, and 2021. According to (Mahmudi, 2019), local governments are considered to have achieved budget efficiency if the analysis result is less than 100%. Conversely, if the result is above 100%, it is considered inefficient.

This is supported by the interview with the Law Division of the Secretariat of Mataram City Government, stating that the realized expenditure cannot be greater than the expenditure



budget. If there is a surplus in the expenditure budget, known as SilPA (Excess Calculation of Budget), it will be transferred to the expenditure budget of the following year.

From the above discussion, it can be concluded that the Law Division of the Secretariat of Mataram City Government has achieved budget efficiency since the analysis of expenditure compatibility data for the period 2017-2021 is less than 100%. The performance of the expenditure budget, as seen from the expenditure efficiency ratio, has been good.

## 5. Conclusion

Based on the above analysis of the data regarding the expenditure budget performance, the following conclusions can be drawn:

- a) Expenditure budget performance, as seen from the Analysis of Expenditure Variance in the Law Division of the Secretariat of Mataram City Government, shows good performance with an average value of 94.02% for the period 2017-2021. If the realized expenditure is smaller than the budgeted expenditure, it indicates good performance. According to (Mahmudi, 2019), if the realized expenditure is greater than the budget, it is called favorable variance.
- b) Expenditure budget performance, as seen from the Analysis of Expenditure Growth in the Law Division of the Secretariat of Mataram City Government, tends to have negative values with an average value of -1.42% for the period 2017-2021. However, the decrease in expenditure growth in the Law Division of the Secretariat of Mataram City Government is not due to poor performance but rather due to the decrease in the previous year's budgeted expenditure. Therefore, the expenditure budget performance, as seen from the analysis of expenditure growth, is considered good.
- c) Expenditure budget performance, as seen from the Analysis of Expenditure Compatibility in the Law Division of the Secretariat of Mataram City Government, consists of two types: operational expenditure ratio and capital expenditure ratio. The operational expenditure ratio has an average value of 99.39% for the period 2017-2021, indicating that the majority of the expenditure budget in the Law Division of the Secretariat of Mataram City Government is allocated to operational expenditure, which is typically carried out every year. On the other hand, the capital expenditure ratio has an average value of 0.61% for the period 2017-2021, indicating that the Law Division of the Secretariat of Mataram City Government only incurs capital expenditure in 2018 and 2019 when there is a specific need.
- d) Budget Performance as seen from the Expenditure Efficiency Ratio at the Law Division of the Secretariat of Mataram City Government has achieved budget efficiency with an average value of 94.02% for the period 2017-2021, where the results are less than 100% according to (Mahmudi, 2019)

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