

## **Effect of Budget Participation, Accountability, Supervision of Good Governance and Financial Management Regional Financial Performance Government of the City Of Pare – Pare**

Anwar<sup>1</sup>, Abdul Rahman Mus<sup>2</sup>, Bahar Sinring<sup>3</sup>, Mapparenta<sup>4</sup>

<sup>1</sup> Postgraduate Program in Universitas Muslim Indonesia

<sup>2,3,4</sup> Universitas Muslim Indonesia

Corresponding Author: Anwar

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**Abstract:** *This research was conducted to obtain empirical evidence and analyze the effect of budgetary participation, accountability, financial oversight on good governance and the performance of regional financial management of the City Government of Parepare.*

*This study uses a proportional random sampling method; the data used in this study are prime data in the form of questionnaires and secondary data. The study population numbered 791 structural officials spread over 33 SKPD within the scope of the Municipality of Parepare. While the samples in this study were 363 questionnaires distributed, 289 returned questionnaires. After verification of the amount recovered, there were 205 questionnaires. Data were analyzed using equations model structural equation modeling (SEM) with confirmatory factor analysis (CFA) program Analysis of moment Structure (AMOS 4.0); (Arbukie 1997: 562)*

*The results of this study indicate that (1) budgetary participation has a positive and significant effect on good, (2) accountability has a positive and significant impact on good governance, (3) financial oversight has a positive and significant impact on good (4) budgetary participation has a positive and significant effect on Financial Management Performance, (5) Accountability has positive and significant impact on Regional Financial Management Performance (6) Financial supervision has positive and significant impact on Regional Financial Management Performance and (7) Good governance has positive and significant effects on Financial Management Performance*

*These empirical findings can be a model for the development and improvement of regional financial management performance because they indicate that budgetary participation, accountability, financial supervision is proven to be able to improve the implementation of good governance and economic performance in the Municipal Government of Parepare*

**Keywords:** *Budget Participation, Accountability, Financial Oversight of Good Governance and Regional Financial Management Performance*

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### **I. Introduction**

Since the reform era in 1998, the development paradigm in Indonesia has shifted from a centralized to a decentralized development model. The division of authority becomes part of the policy direction to develop regions known as the "**Regional Autonomy**" policy. In the 1945 Constitution, regional governments have the power to regulate and manage their government affairs according to the principle of autonomy and co-administration. The granting of full independence to the regions is directed to accelerate the realization of people's welfare through improved services, empowerment, and community participation. Also, through autonomy, the area is expected to be able to increase competitiveness by paying attention to the principles of democracy, equity, justice, privileges, and specificities as well as the potential and diversity of the region in the Unitary State of the Republic of Indonesia system.

One of the MPR Decrees namely MPR Decree Number XV / MPR / 1998 concerning "Implementation of Regional Autonomy, Arrangement, Distribution and Utilization of National Resources that are in Dependence as well as Central and Regional Financial Balances in the Framework of the Unitary Territory of the Republic of Indonesia" is the legal basis for the issuance of Law No. 22 of 1999 concerning Regional Government and Law No. 25 of 1999 concerning Financial Balance between Central and Regional Governments as a basis for the implementation of regional autonomy. Reform continues and changes occur again with the issuance of Law No. 32 of 2004 as a substitute for Law No. 22 of 1999 and Law No. 33 of 2004 instead of Law No. 25 of 1999. And the latest amendment is Law No. 23 of 2014, which is the newest revision of Regional Government. Law No. 32 of 2004 grants authority to regional governments in regulating all government affairs and allows the region

concerned to monitor and manage the interests of local communities. The power of broad autonomy requires local governments to improve the services and welfare of the people in a democratic, fair, equitable, and sustainable manner. They have also defined Act No. 33 of 2004 concerning Fiscal Balance between the Central and Regional Governments which led to fundamental changes regarding the regulation of central and regional relations. Regardless of whether or not a region is ready to implement the two laws, local autonomy is believed to be the best way to encourage regional development because through regional autonomy independence in carrying out construction can be done effectively and efficiently. The second primary mission of the law is that decentralization means not only the transfer of authority from the central government to the lower government but also the transfer of some governmental authority to the private sector in the form of privatization.

Theoretically, decentralization is expected to produce two tangible benefits, namely: *first*, encourage increased participation, community initiatives and creativity in development, and encourage the distribution of development outcomes (justice) in all regions by utilizing the resources and potential available in each - each area. *Second*, improving the allocation of productive resources by shifting the role of public decision making to the lowest level of government that has complete information.

Furthermore, if you see the purpose of regional autonomy according to Law No. 22/1999, now Law No. 23 Year 2014 basically is local autonomy directed to spur development equality and its results, improve people's welfare, promote community participation and active participation as well as increase the utilization of regional potential in an optimal and integrated manner in a real, dynamic and responsible way so as to strengthen unity and national unity, reducing the burden on the central government and interference in the regions which will provide opportunities for local-level coordination.

The enactment of these two laws has opened a new era for the implementation of regional government in Indonesia, so the duties and responsibilities that must be carried out by the Regional Government are multiplying. With the existence of such broad governmental authority given to the regions in the context of regional autonomy, constituting a blessing for the area but on the other hand the increasing power of the part is at the same time a burden that demands the readiness of the region to carry it out, because of the growing government affairs which are the responsibility of the Regional Government. For this reason, several aspects must be prepared, namely, human resources, financial resources, facilities, and infrastructure.

Darice (2009: 2) revealed that the main characteristics of an area that are capable of implementing autonomy, namely: (1) regional financial capability, meaning that the region must have the authority and ability to explore financial resources, manage and use its finances that are sufficient to finance the administration of its government, and (2) dependence on central assistance should not be a priority, so that the original regional revenue can become the most significant financial source so that the role of the local government becomes more essential.

Based on the problems, there are at least three governance practices that show the ugly financial management area, currently Problem proportions as indicated allocation ratio between capital expenditure (development) expenditures and personnel (routine). Until eight years after the implementation of decentralization, the political design of budget allocations in many regions showed a lack of public appropriations, both in the form of public service funds and local government investment in moving the economy. Only around 20-30% of the APBD is for direct expenditure for the benefit of the community, and the most significant portion remains to finance bureaucracy. The problem of budget absorption capacity. At present, around 60% of our Regional Budget (APBN) funds circulate in the regions (30% through a transfer scheme plus 30% comes from deconcentrated, *me debewind* and sectoral funds). A money supply that is certainly very large, as well as a great responsibility as well. But unfortunately, so far the Regional Government has not yet been fully empowered to absorb the existing budget, even in some regions, the remaining funds are "parked" in banks in the form of Bank Indonesia Certificates (BI).

It should be noted, the existence of idle funds is not because the region is overstocked or even as a result of budget savings (efficiency). On the contrary, it shows that funds are being abandoned, due to inadequate budget planning systems, complicated procedures for procurement of government goods/services, weak legislative processes in the regions, or a narrow orientation to Regional Original Revenue (PAD) from interest on Bank Indonesia Certificate (SBI) savings. The performance of such fiscal instruments results in the disruption of public service programs, and of course, it is difficult to become an alternative stimulant amid sluggish private sector investment. In addition to the two problems above, these days the mass media are also aggressively reporting the third problem in regional financial management, namely financial reporting administration. This certainly not only concerns accounting and bookkeeping problems but more fundamentally reflects the policy politics and commitment to upholding *good governance* in the regions.

Related to this problem, the source of the main problem is the ineffectiveness of the role of the Inspectorate (formerly called Bawasda) in the regions. The institution that was actually formed as the vanguard of ensuring the upholding of *good governance* and becoming a strategic instrument in eradicating corruption is barren. This institution is only positioned as a supporting element, the institutional design is easily co-opted by

other SKPD, the scope of supervision is limited, there is no sanction mechanism in control, and the status of the apparatus is allegedly an outcast that affects motivation and work capacity. In fact, the existence of this Inspectorate should have strategic value. First, become a preventive institution and an internal safety net before the arrival of external supervisors (BPK, KPK, etc.). Second, as an internal supervisory unit that has the opportunity to be involved from the planning ( *input* ), implementation, achievements, and policy evaluation phases so as to enable early detection and direct correction to avoid massive damage. If all of this was carried out, we could be sure that the quality of governance and accounting procedures for regional finances will no longer be a permanent target of public criticism and BPK's findings.

The issue of regional financial management is not merely an internal matter of government but must be seen as a form of vertical accountability to the center as a source of balanced funds and political responsibility to the people. For this reason, for finding problems, strict sanctions must be given, if necessary through fiscal instruments as well (DAU deduction).

It is time for this curative/repressive option to be implemented by the central government if it does not want the problem to become a permanent burden. Also, the preparatory step (preventive) must immediately become a priority program either through strengthening the capacity of the planning apparatus, executors, and financial supervisors as well as the institutional redesign of the inspectorate institutions.

Indonesia Corruption Watch (ICW), for example, indicated throughout 2006 till 2015 Regional losses due to corruption education sector reached 1.3 trillion. If added to the value of territorial declines in the health sector, the amount will be even more significant. In other words, the practice of corruption has hampered our efforts to achieve the ideals of becoming a prosperous Region. From 2004 to mid-2017, the Corruption Eradication Commission (KPK) has ensnared 670 corruptors. Of this number, 60 people are mayors/regents and deputies, and 18 people are governors. Most of the corruptors are from the private sector (170) and echelon I, II, III (155 people). In addition to abusing the budget and authority, in granting licenses, bribery, and corruption in the procurement of goods or services is the most popular corrupt mode. Regional money saved by the KPK until 2016 reached Rp294 trillion.

Based on the results of BPK RI's examination of the 2016 Local Government Financial Report (LKPD) there was the use of the National Health Insurance fund (JKN) by the treasurer for the expenditure of the Health Service amounting to Rp750,000,000.00, which did not show documents/evidence of accountability. And there is payment for the purchase of medicines and consumable medical materials at the Health Service which has been declared 100% accepted and paid in full, but from the physical examination it turns out that the goods have not been received by the Health Department's pharmaceutical warehouse with a value of Rp22,050,000, 00 For these conditions, the Government of the Municipality of Parepare received an opinion from the BPK RI Wajar without Exception (WTP) on LKPD FY 2016. Provision of advice on the financial statements of the local government by the Financial Audit Agency, influenced by several factors, among others, community participation in preparing the budget, accountability in business management, internal government oversight which is reflected in the government internal control system implemented by APIP in this case the District / City Inspectorate for the Regency / City Government.

Furthermore, if seen from the role of the Regional Government's internal supervision namely the District / City Inspectorate, whose task is to assist the government in testing the effectiveness of the internal control system, and evaluate the design, implementation, efficiency of the implementation of the activities, programs and targets previously set. The results of the testing and evaluation of internal control are primarily determined by the level of accountability and professionalism of the government internal control apparatus.

Mardiasmo (2006), provides a clear definition of accountability, which is a form of obligation to account for the success or failure of the implementation of the organization's mission in achieving the goals and objectives that have been set previously, through a media of accountability carried out periodically. Whereas Mahmudi (2010 ) explains the notion of responsibility as an obligation of the agent (government) to manage resources, report, and disclose all activities and activities related to the use of public funds to the mandate (principal). According to Mardiasmo, accountability divided into two types, namely: Vertical Accountability, namely accountability in the form of responsibility to superiors. And Horizontal accountability is accountability in the way of the liability to an equal person or institution.

While according Mahmudi, accountability in public institutions is divided into five parts, namely a Akuntabilitas Law and Honesty is the liability associated with the activity of law enforcement and norms of honesty shown by not doing various abuses of power and authority held, accountability Managerial is a liability relating with managerial work patterns that must be carried out effectively and efficiently, and program accountability is the responsibility pertaining to the program to be carried out. The authorized person in this program must be able to show if the program to be built can run well or not and what are the efforts that can be made so that the program to be planned can run optimally. Internal auditors are a *control* function by measuring and evaluating the effectiveness of activities in local government organizations. Ruth Hubbard (1999) states that internal auditors in carrying out their duties must adhere to the principles and code of ethics of

government auditors that have been established. Integrity (honesty and fairness), Objectives, Competence, (combination of skills, knowledge, and experience) Confidence (confidentiality of the information) and Independent (impartial)

## **II. Literature Review**

### **A. Agents theory**

The theory underlying this writing is agency theory. Agency theory is a theory that arises because of a conflict of interest between the principal and the agent. This theory assumes that each individual is solely motivated by his interests, giving rise to a conflict of interest between the principal and the agent. The principal contracts the agent to manage resources in the company and are obliged to provide rewards to agents while agents are required to maintain the resources owned by the company and are responsible for the tasks assigned to them (Jensen and Meckling, 1976). Hendriksen (2005) and Scott (2003) can be described that the relationship between the people and the government can be said to be an agency relationship, which is a relationship that arises because of a contract established by the people as the *principal* who uses the government as an *agent* to provide services that are in the people's interest. To oversee that the principal and agent relationship occurs when actions taken by a person have an impact on other people's attitudes and aligns the objectives of the people and the government, the people oblige the government to take responsibility for managing the resources entrusted to the government through good governance, with financial reporting mechanisms. Periodically, as a means for the community through representatives of the DPRD to assess and oversee the performance of the government, the extent to which the government has acted to improve the welfare of the people. Agency theory is based on 3 (three) assumptions, namely (a) assumptions about human nature; (b) assumptions about organization and (c) assumptions about information. Assumptions about human nature emphasize that humans have selfishness (*self-interest*) have limited rationality (*bounded rationality*) and do not like risk (*risk aversion*). Organizational *assumptions* underline the existence of conflict between members of the organization, efficiency as a criterion for productivity. Information *asymmetric information*) is unbalanced information due to differences in information distribution between principals and agents (Gibaldi, 2001).

Agency theory will occur in a variety of organizations, including government organizations and focuses on issues of inequality/information asymmetry between managers (agents/government) and the public (represented by principals/councils). Principals must monitor the work of agents so that organizational goals can be achieved efficiently and the achievement of public accountability (Lane, 2002: 82; Petrie, 2002). Mardiasmo (2007: 20-21) explains that the definition of civil liability as an obligation of the party holder (*agent*) to provide responsibility, present, report, and disclose all activities and activities that are his responsibility to the party giving the trust (*the principal*) who has the right to ask for the obligation. Public accountability consists of two types, namely: (a) responsibility for managing funds to a higher authority (vertical accountability), and (b) liability to the broader community (horizontal accountability).

The practice of financial reporting in public sector organizations is a concept based on agency theory. Governments that act as agents must present useful information to users of government financial information that acts as a principal in assessing accountability and making decisions both economic, social, and political decisions and either directly or indirectly through their representatives (Irwan, 2011).

### **B. Prospect theory**

Based on the *Prospect theory* that was developed by Kahneman and Tversky (1979) allows a person to choose in situations where they have to decide between alternatives that involve risks, for example in financial decisions *Prospect theory* describing how individuals evaluate potential losses and gains. A person will choose to support and play an active role by considering the results to be obtained as a more significant loss or gain. Someone will calculate the value (utility), based on the potential and probability results of each - each, and then choose an alternative that has higher efficiency. For public sector financial management, in this case, the local government *Prospect theory* can be interpreted that structural officials have the choice to participate in the budget preparation process, taking into account the decisions of authority and interests possessed by each individual. Then they will evaluate the option which most contributes to career development in the future, if it is anticipated to provide more significant benefits (value), then the choice is to be actively asked for or not by the leadership to contribute to the preparation of the budget each year, thus conversely if the option is to participate, but the value of the benefits is not as expected then you should not participate in financial management, especially when preparing a budget.

## **III. Research Methodology**

In accordance with the objectives of the research that have been formulated, this study uses a pattern of explanation (*level of example*), which is research intended to explain the position of the variables studied and the relationship between one variable with another variable and test the hypothesis that has been formulated. Thus

this study demonstrates the magnitude of the influence of budgetary participation, accountability, and financial oversight variables on *good governance* and regional financial management performance. The scope of the study and testing is in the City of Parepare. This research uses a survey approach to find out some variables that form *good governance* and the performance of regional financial management in the City of Parepare. In addition to the variables mentioned above, there are identified variables which are budget participation, accountability, and financial supervision.

The purpose of the research design explains social phenomena by researching the variables of the variables studied. Operationally this design is used to examine a characteristic or aspect of the population which is subsequently made as a research subject. The relationship between the variables studied was based on previous studies and literature review. The unit of analysis used in this study is the individual. The individuals referred to here are budget users, echelon III and echelon IV structural officials in each Regional Work Unit (SKPD), amounting to 33 within the scope of the Municipal Government of Parepare. The population in this study is the number of State Civil Apparatuses (ASN) directly and indirectly related to the financial management of the City of Parepare.

Furthermore, from the number of ASN each SKPD is taken, namely, the Office, Agency, District, and Technical institutions with 33 SKPD within the scope of the Parepare City government. To get a clearer picture of the population that could be sampled in this study, each SKPD was taken directly related to the management of regional finances because of their position, namely budget users, echelon III and IV. The number of ASN Parepare City employees is 3,715 people (including kindergarten, elementary, and junior high school teachers). Of these, 791 were structural officials echelon II, III and IV. The sample in this study was that each SKPD consisted of 1 budget user, four echelons III, eight echelons IV, so the estimated number of samples in this study echelon II / IV was as many 33 people, and Echelon IV as many as 256 people. So the total example in this study was 417 respondents or 52.72% of the total population of structural officials, 791 people.

Research both qualitatively and quantitatively, data analysis is an activity after the data from all respondents, or other data sources are collected. Then based on the hypothesis and design in the study, the data that has been collected will be analyzed using several analysis models. The analytical model used is *structural equation modeling* (SEM). All data analysis will be calculated using the SPSS 10.0 for Windows computer application program and the AMOS 4.01 program.

#### IV. Results And Discussion

##### A. Normality test

Normality Test in SEM analysis is intended to determine whether or not the research distribution is normal for each variable. Evaluation of normality is done by looking at the value of *cr skewness* or *kurtosis* both univariate and univariate, the data are said to be normally distributed if the value of *cr skewness* or *cr kurtosis* is below the absolute price of 2.58 (Ghozali; 2016), whereas in Ferdinand (2006) the value of multivariate *cr* at below 8 can still be accepted and the analysis can continue as long as all indicators have *cr kurtosis* values  $<|z| < 2.58$ . The following are the results of normality test data on the model:

**Table 1:** Normality Test Results

Variable	Min	Max	skew	cr	kurtosis	cr
KIN10	1,000	5,000	-.563	-3,292	.018	.053
KIN9	1,000	5,000	-.609	-3,562	.208	.609
KIN8	1,000	5,000	-.617	-3,606	-.100	-.292
KIN7	1,000	5,000	-.404	-2,364	-.135	-.396
KIN4	1,000	5,000	-.479	-2,798	-.227	-.662
KIN2	1,000	5,000	-.571	-3,336	-.284	-.831
KIN1	1,000	5,000	-.677	-3,897	.034	.988
GOV6	1,000	5,000	-.642	-3,753	-.148	-.433
GOV4	1,000	5,000	-.666	-3,894	-.172	-.503
GOV3	1,000	5,000	-.738	-3,313	-.84	-.245
GOV2	1,000	5,000	-.666	-3,894	-.246	-.718
GOV1	1,000	5,000	-.673	-3,933	-.297	-.868
PK1	1,000	5,000	-.635	-3,713	-.194	-.568
PK2	1,000	5,000	-.482	-2,820	-.156	-.457
PK4	1,000	5,000	-.547	-3,197	-.288	-.841
PK5	1,000	5,000	-.416	-2,433	-.350	-1,023
PK7	1,000	5,000	-.518	-3,029	-.263	-.768
PK9	1,000	5,000	-.580	-3,388	-.011	-.032
PK10	1,000	5,000	-.579	-3,382	-.310	-.907
AK1	1,000	5,000	-.553	-3,230	.080	.234
AK2	1,000	5,000	-.475	-2,774	-.128	-.373

Variable	Min	Max	skew	cr	kurtosis	cr
AK5	1,000	5,000	-.591	-3,452	.043	.127
AK6	1,000	5,000	-.632	-3,697	.183	.535
AK7	1,000	5,000	-.466	-2,726	-.312	-.911
AK8	1,000	5,000	-.484	-2,828	-.167	-.489
AK9	1,000	5,000	-.724	-4,230	.197	.577
PA1	1,000	5,000	-.537	-3,140	-.275	-.805
PA2	1,000	5,000	-.585	-3,418	-.210	-.615
PA3	1,000	5,000	-.616	-3,599	-.130	-.381
PA4	1,000	5,000	-.594	-3,474	-.153	-.448
PA5	1,000	5,000	-.626	-3,659	-.200	-.584
Multivariate					-12,384	-1,960

Source: AMOS Processed Product

The results of the normality test showed that the research data were normally distributed because the univariate kurtosis values of all indicators were in the interval  $-2.58 < z < 2.58$  as well as the multivariate cr value of  $-1.960$  indicating that the multivariate cr had been in the  $-2$  range,  $58 < z < 2.58$ , this shows that the data to be analyzed has normal distribution both univariate and multivariate.

**B. Multicollinearity Test**

According to Augusty Ferdinand, the Multicollinearity Test was conducted by looking at the correlation value between exogenous variables. The model is declared free from multicollinearity if the correlation value between exogenous variables  $< 0.9$ . In this SEM model, which acts as an exogenous variable are the variable of budget participation, accountability, and financial supervision.

**Table 2: Multicollinearity Test Results**

	Estimate
PA <--> AK	.554
AK <--> PK	.661
PA <--> PK	.563

Source: AMOS Processed Product

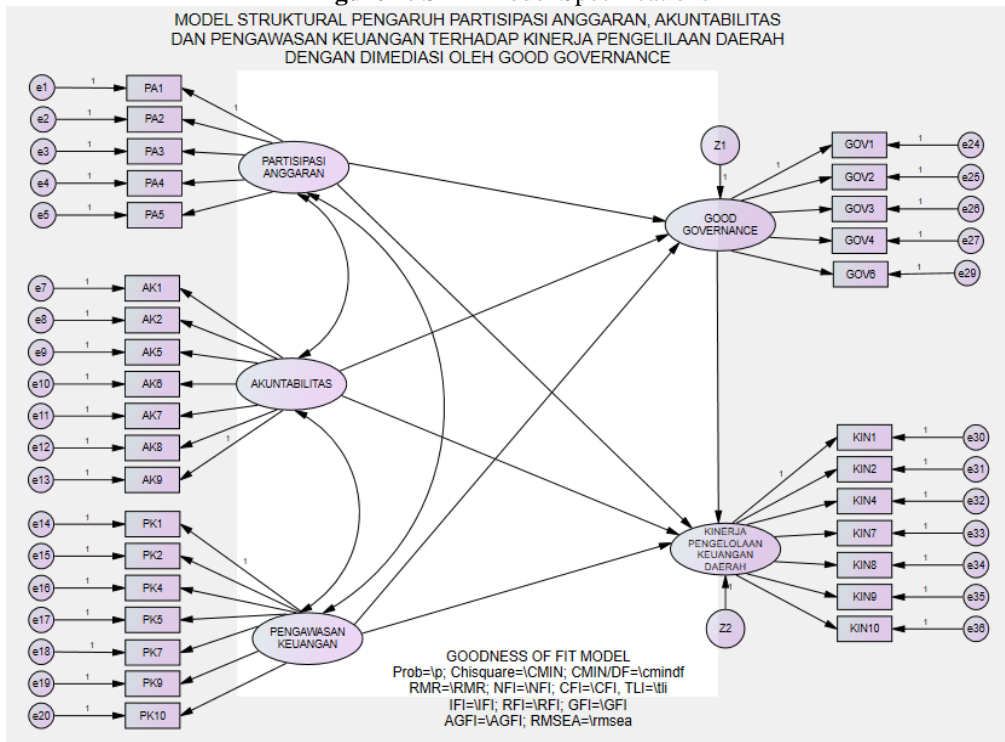
**1. Structural Model Testing**

Structural model testing is used to test the research hypothesis. The stages in the structural model testing include the step of forming the structural model, the structural model feasibility test, and the significance test of the influence of exogenous variables on endogenous variables.

**a. Structural Model Specifications**

By referring to the hypothesis and the framework of the model built in this study and the results of testing the measurement model which shows that PA6 indicators on the construct of Budget Participation, A K3 symbols and AK 4 on the constructs of Accountability, PK3 Indicators, PK6 and PK8 on the Financial Supervision construct, GOV5 Indicators on the construct of *Good Governance* and the indicators KIN 3, KIN 5 and KIN 6 on the construct of regional financial management performance is invalid in measuring the construct, the SEM analysis model specifications built will only contain 31 indicators with the model specifications as follows:

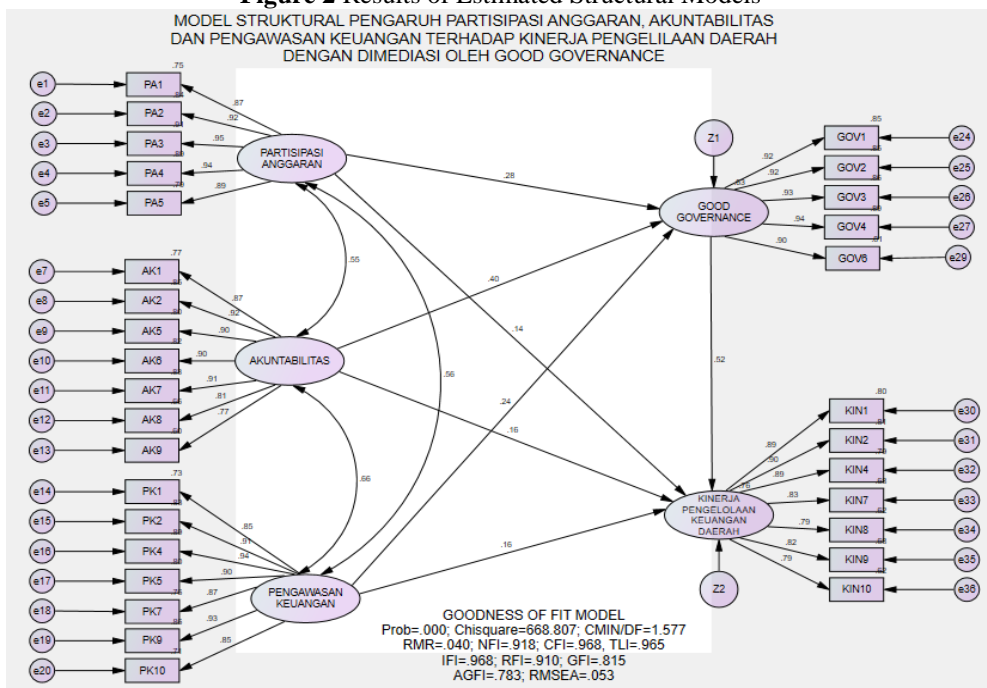
Figure 1: SEM Model Specifications



b. Structural Model Match Test

Structural model compatibility test in SEM analysis is done by looking at several criteria of *Goodness of fit models* such as *Chi-Square* value, probability, df, GFI, AGFI, TLI, CFI RMSEA, and RMR. In this study, the fulfillment of the model goodness of fit will be focused on the indicator of the model goodness of fit in the form of probability values and Chi-Square models. Non-significant probability values and Chi-square models (probabilities > 0.05 and Chi-Square < Chi Square (0.05, df models)) show that SEM models estimated with analyzed data have the same covariance matrix as population covariate matrices so that It is not sure to be able to give an idea of the actual condition of the population.

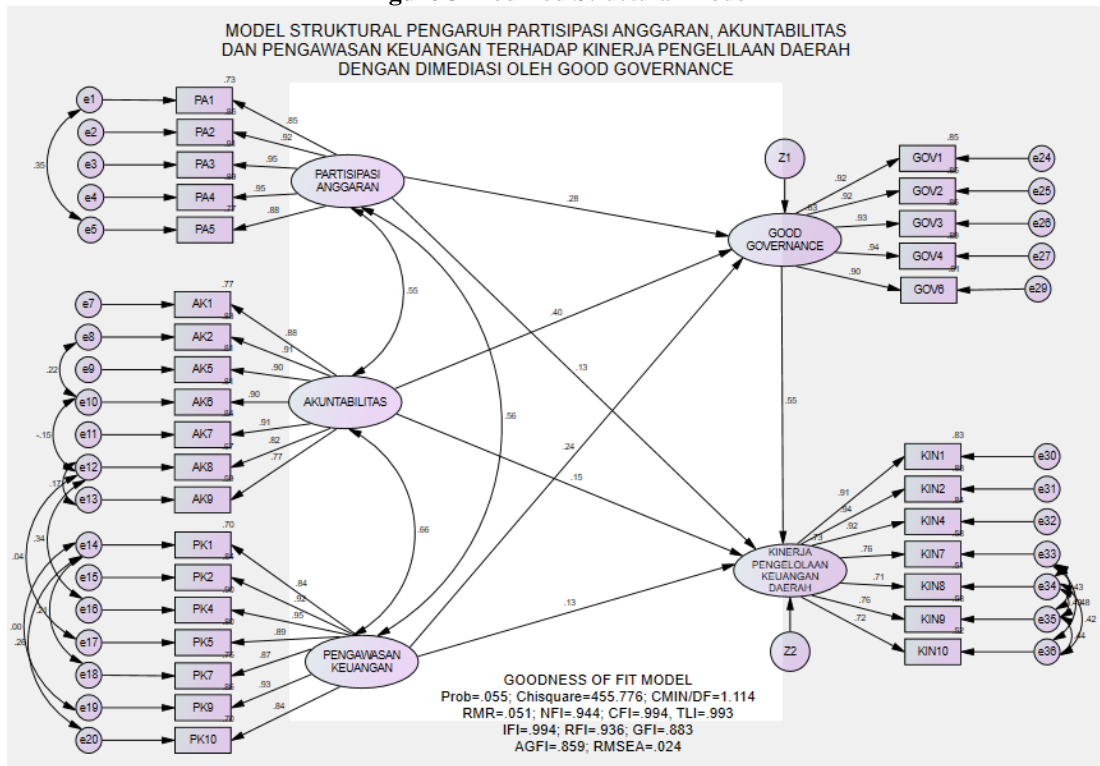
Figure 2 Results of Estimated Structural Models



Based on the estimation results of the model in the picture above, the model does not yet have a probability value above 0.05 and the chi-square model is not below the required chi-square (chi-square (0.05.409) = 457.153), this shows that the model does not yet have the covariance matrix is the same as the population covariance matrix, so the model is not feasible to use to test the research hypothesis.

Based on the *Modification indices* table in the above table, the addition of the path between errors can reduce the value of the chi-square model. Thus, the modification process will be carried out by adding several tracks until the model with a goodness of fit above 0.05 is obtained. The results of the model *goodness of fit* test after the model modification process can be seen in the following figure:

Figure 3 Modified Structural Model



Based on the picture above, the result of modification of o del shows that the model has a probability value > 0.05 and chi-square below the required chi-square, this indicates that the model has the same covariance matrix as the population covariance matrix, so the model has feasible to use to test the research hypothesis.

**c. Test of Significance**

According to Augusty Ferdinand, the significance test aims to examine whether there is a significant influence of exogenous variables on endogenous variables. The hypothesis built in this test is as follows:

Ho: There is no significant influence of exogenous variables on endogenous variables

Ha: There is a substantial influence of exogenous variables on endogenous variables

With a significant level of 0.05 then Ho will be rejected if the considerable value (P) <0.05 and cr> 1.96, while if the significant value (P)> 0.05 and cr <1.96 then Ho is not rejected.

Table 3: Significance Test Results

	Estimate	SE	CR	P.	Label
GOV <--- PA	.336	.72	4,672	***	par_27
GOV <--- AK	.533	.93	5,707	***	par_28
GOV <--- PK	.280	.079	3,548	***	par_29
KIN <--- PK	.144	.066	2,176	.030	par_30
KIN <--- PA	.141	.062	2,290	.22	par_31
KIN <--- AK	.180	.081	2,220	.026	par_32
KIN <--- GOV	.501	.068	7,395	***	par_33

Source: AMOS Processed Product



Based on the results of SEM analysis in the table above, obtained the following results:

- 1) The value of p-value of the influence of budgetary participation variables on *good governance* (PA →•GOV) is significant (p-value = \*\*\*) with cr positive sign of 4.672. Because the p-value obtained <0.05, and cr is positive> 1.96, Ho is rejected, and it is concluded that budgetary participation has a positive and significant effect on *good governance*. This shows that the better the budget participation, the better proper management, and vice versa.
- 2) The p-value of the influence of the accountability variable on *good governance* (AK →•GOV) is significant (p-value = \*\*\*) with a positive cr marking of 5.707. Because the p-value obtained <0.05, and cr is positive> 1.96, Ho is rejected, and it is concluded that accountability has a positive and significant effect on *good governance*. This shows that the better accountability, the better *good governance*, and vice versa.
- 3) The value of p-value of the influence of financial control variables on *good governance* (PK →•GOV) is significant (p-value = \*\*\*) with cr positive sign of 3.548. Because the p-value obtained <0.05, and cr is positive> 1.96, Ho is rejected, and it is concluded that financial supervision has a positive and significant effect on *good governance*. This shows that the better financial control, the better *good governance*, and vice versa.
- 4) The p-value value of the influence of budgetary participation variables on Regional Financial Management Performance (PA →•KIN) is significant (p-value = 0.022 ) with a positive cr of 2.176. Because the p-value obtained <0.05, and cr is positive> 1.96, Ho is rejected, and it is concluded that budgetary participation has a positive and significant effect on the Performance of Regional Financial Management. This shows that the better the budget participation, the better the *Regional Financial Management Performance*, and vice versa.
- 5) The p-value of the influence of the accountability variable on Regional Financial Management Performance (AK →•KIN) is significant (p-value = 0.026 ) with a positive cr of 2.290. Because the p-value obtained <0.05, and cr is positive> 1.96, Ho is rejected, and it is concluded that accountability has a positive and significant effect on the Performance of Regional Financial Management. This shows that the better responsibility, the better *Regional Financial Management Performance*, and vice versa.
- 6) The p-value of financial supervision variable influence on the Performance of Financial Management (PK →•KIN) significantly (p-value = 0.030 ) with cr is positive, amounting to 2,220. Because the p-value obtained <0.05, and cr is positive> 1.96, Ho is rejected, and it is concluded that financial supervision has a positive and significant effect on the Performance of Regional Financial Management. This shows that the better the financial control, the better the *Regional Financial Management Performance*, and vice versa.
- 7) The p-value of the effect of the *first governance* variable on Regional Financial Management Performance (GOV →•KIN) is significant (p-value = \*\*\*) with a positive cr of 7.395. Because the p-value obtained <0.05, and cr is positive> 1.96, Ho is rejected, and it is concluded that *good governance* has a positive and significant effect on the Performance of Regional Financial Management. This shows that the better *good governance*, the better the *Performance of Regional Financial Management*, and vice versa.

**d. Direct Influence**

In this study, there are three dependent variables, namely budgetary participation, accountability, and financial supervision, and two endangered variables, namely *good governance and regional financial management performance*, and each of the extent variables will be analyzed for their direct influence on the endangers variable. The effect of each variable can be seen in Table 4 below.

**Table 4:** Direct Effect of Standardized Direct Effects

NO	VARIABLES		P-value <0.05	CR	Direct Influence	Ket.
	Exogenous	Endongen				
1	PA (X1)	GOV (Y1)	0,000	4,672	.284	Significant
2	AK (X2)	GOV (Y1)	0,000	5,707	.402	Significant
3	PK (X)	GOV (Y1)	0,000	3,584	0.239	Significant
4	PA (X1)	KIN (Y2)	0.022	2,290	.131	Significant
5	AK (X2)	KIN (Y2)	0.026	2,220	.148	Significant
6	PK (X3)	KIN (Y2)	0.030	2,176	.135	Significant
7	GOV (Y1)	KIN (Y2)	0,000	7,395	0.548	Significant

*Source: data processed in 2109*

In the table above explains that all variables have a direct influence on *Good governance* and Regional financial management performance, and of the three exogenous variables and their impact on endangers variables, Accountability has the highest impact on *good governance* with a value of direct control of 0.402 and a significant CR value of 5,707, followed by budgetary participation with a direct influence on *proper management* of 0.284 and a substantial amount of CR of 4.672, and the lowest immediate effect of the dependent variable on the endangers variable is financial supervision of *good governance* with a direct influence

of 0.239 with a significant value of CR of 3.584 . This shows that the higher the accountability of business management in the scope of the Regional Work Unit, the better the implementation of *good governance* in the range of the Municipal Government of Parepare.

## V. Discussion

The results of this study have shown that budgetary participation has a positive and significant effect on *good governance*. This finding is based on statistical calculations where the p-value obtained  $<0.05$ , and  $cr$  is positive  $> 1.96$ . This shows that the better participation of the budget will also be better for *good governance* in Kota Pare-Pare, so conversely, the partnership is not good than the lousy budget too *good governance* in Kota Pare-Pare. From the findings of this study, it shows that the indicator that best explains the highest average answer is indicator X1.1, so that it can be interpreted that with the position owned employees should participate and be involved in preparing the budget, so that when there is involvement, *good governance* will be created, and this is also evidenced by the majority of respondents assessing strong agree.

The results showed that the Municipality of Parepare involved and participated in the preparation of the budget of financial management in each SKPD, namely the head of the Office / Agency as the budget user, head of the division and head of the planning sub-division, *with his position of involvement in the preparation of the budget* in each SKPD average - the average strongly agrees to be involved in preparing the budget in accordance with his job, so that this means that the average structural official wants his career, so he must participate in the budget preparation process, where so far there are several SKPDs that do not involve all structural officials in budget planning, only limited to the treasury of expenditure, head of the plan and budget users.

Effect of Accountability on *Good Governance* in the Municipality of Parepare The results of this study have shown that Accountability has a positive and significant impact on *good governance*. This finding is based on statistical calculations where the p-value obtained  $<0.05$ , and  $cr$  is positive  $> 1.96$ . This shows that the better accountability, the better *good governance*, vice versa the less proper accountability, the less *good management*.

From the findings of this study, it shows that the indicator that best explains the highest average answer is indicator X2.9 so that it can be interpreted that if a compliance audit is carried out in every use of funds always based on applicable regulations and laws, *good governance* will be created. , and this is also proven by the majority of respondents assessing strong agree. The Effect of Financial Supervision on *Good Governance* in the Municipality of Parepare The results of this study have shown that financial supervision has a positive and significant effect on *good governance*. This finding is based on statistical calculations where the p-value obtained  $<0.05$ , and  $cr$  is positive  $> 1.96$ . This shows that the better the financial supervision, the better *good governance*, and vice versa, the less useful the financial guidance, the less valuable the *good governance*. From the findings of this study, it shows that the indicator that best explains the highest average answer is indicator X3.5, so that it can be interpreted that if financial supervision has the knowledge to understand the rules related to regional business management, *good governance* will be created, and this is also evidenced by the majority of respondents assessing strong agree. In addition, the indicator X3.10 is also highly rated by respondents, so it can be interpreted that if Financial Oversight has professional competence in carrying out audit assignments related to regional financial management, *good governance* will be created, and this is also evidenced by the majority of respondents assessing agree. Independence is honest - each SKPD states that it recognizes that financial supervision always has true freedom in considering various facts found in accordance with indicator X3.1. Having high integrity, each SKPD agreed that financial guidance has a high integrity attitude in considering every point found in accordance with indicator X3.2. Can not be influenced by anyone - each SKPD states agree, that financial supervision is impartial and cannot be influenced by anyone in considering the facts found in the audit in accordance with indicator X3.4. Free to communicate - each SKPD states that they agree that financial supervision has the freedom to express with all parties related to regional financial management in accordance with indicator X3.9. Whereas the indicator that was rated the lowest was indicator X3.7 where the respondents considered the Financial Auditor to have strict freedom of objectivity without achievement in every assignment, so it needed to be further improved to create *good governance* in the City of Parepare.

Effect of Budget Participation on Regional Financial Management Performance The results of this study have shown that budgetary participation has a positive and significant impact on the performance of regional financial management. This finding is based on statistical calculations where the p-value obtained  $<0.05$ , and  $cr$  is positive  $> 1.96$ . This shows that the better the budget participation, the better the performance of regional financial management, vice versa, the less useful the budget participation, the better the performance of local financial management. This relationship also illustrates that the involvement of echelon II, III and IV officials of the Parepare City Government in preparing individual budgets will have a positive and significant impact on improving the financial management performance of the Parepare City Government. The application of participation also allows budget users and power users in the Parepare City Government to be encouraged to help superiors by providing information they have so that the budget prepared will be more accurate because

staff have information related to the condition of the organization and report it to superiors as a form of direct participation in budgeting.

**Effect of Accountability on Regional Financial Management Performance** The results of this study have shown that accountability has a positive and significant impact on the performance of regional financial management. This finding is based on statistical calculations where the p-value obtained  $<0.05$ , and  $cr$  is positive  $> 1.96$ . This shows that the better the budget participation, the better the performance of regional financial management, vice versa, the less useful the budget participation, the better the performance of local financial management. From the findings of this study, it shows that the indicator that best explains the highest average answer is indicator X2.9, so it can be interpreted that if a compliance audit is carried out in every use of funds is always based on applicable regulations and laws, then the performance of regional financial management in the City of Parepare it will get better, and this is also proven by the majority of respondents assessing strong agree. In addition, the indicator X2.8 is also highly rated by respondents, so it can be interpreted that if the use of budget funds is based on applicable laws and regulations, the performance of regional financial management in the City of Parepare will be better, and this is also evidenced by the majority of respondents rate strongly agree. Whereas the indicators that were rated the lowest consisted of three symbols namely sign X2.1; X2.2; and X2.5 where the respondent considers that the implementation of the policy is accountable by the local government to the DPRD and the wider community is still less than optimal, so the Budget designed and determined by the local government together with the DPRD in accordance with its realization for the public interest is also less than optimal in its implementation, and The APBD program has not been fully felt by the community, so it needs to be further improved so that the performance of regional financial management in the Municipality of Parepare is getting better.

**Effect of Financial Supervision on the Performance of Regional Financial Management** The results of this study have shown that financial supervision has a positive and significant impact on the performance of regional financial management. This finding is based on statistical calculations where the p-value obtained  $<0.05$ , and  $cr$  is positive  $> 1.96$ . This shows that the better the financial supervision, the better the performance of regional financial management, and vice versa, the less useful the financial guidance, the better the performance of local financial management.

**The Effect of Good Governance on Regional Financial Management Performance** The results of this study have shown that *good governance* has a positive and significant effect on the performance of regional financial management. This finding is based on statistical calculations where the p-value obtained  $<0.05$ , and  $cr$  is positive  $> 1.96$ . This shows that the better the *right governance*, the better the performance of regional financial management, and vice versa, the less *good governance*, the better the performance of local financial management.

As stated in the previous section, this research is theoretically expected to find a causal relationship between the variables of budget participation, accountability, financial oversight of *good governance* and the performance of regional financial management in the City of Parepare as follows:

- Budget participation has a positive and significant effect on *good governance* in the Municipality of Parepare. This finding shows that the higher one's position in budgetary assistance will affect *good governance*.
- Accountability has a positive and significant effect on *good governance* in the City of Parepare. This finding indicates that the more often a compliance audit is conducted on the use of funds based on rules and regulations, the better *good governance* will be.
- Financial Supervision has a positive and significant effect on *good governance*. These findings indicate that the broader the knowledge of financial supervisors in the area of regional financial management, the higher the impact on *good governance*.
- *Good governance* has a positive and significant effect on the performance of regional financial management. The results of this study indicate that the better implementation of good governance will further improve the performance of local financial management.

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