

**FINANCIAL REPORT ANALYSIS OF THE
JENEPONTO REGENCY REGIONAL GOVERNMENT FOR 2021**

Wisnu Sri Baroto

Directorate General of Treasury of South Sulawesi Province
Ministry of Finance of the Republic of Indonesia
E-mail: wizzbarata@gmail.com

Abstract

Financial reports are organized reports that detail a reporting entity's financial situation and transactions. The purpose of financial reports is to provide users with valuable information about the financial condition, budget execution, cash flows, and financial performance of a reporting business in order for them to make and evaluate resource allocation decisions. Consequently, local government financial reports (LKPD) are financial reports prepared by a local government (PPKD by merging financial reports issued by each SKPD), which is a form of local government accountability to the public about the management of state finances. Specifically, the objective of local government financial reports is to provide valuable information for decision making and to establish the reporting entity's accountability for the entrusted resources. Regional Government Financial Reports are analyzed for Regional Government Financial Reports (LKPD). This analysis can be used to help users of financial statements in terms of how to understand financial reports, interpret numbers in financial reports, evaluate financial reports and use financial information for decision making. With the analysis of these financial statements, users of financial reports will obtain information regarding regional financial accountability, regional wealth, and local government financial performance. This study uses descriptive research methods with a qualitative approach and literature analysis or literature study as a data collection technique. This financial report analysis focuses on financial reports that utilize an analytical technique to identify and understand existing issues and opportunities so that they will be very useful in making a decision.

Keywords: *BPK Audit Results, Community Welfare, LKPD Analysis, Regional Government Financial Performance*

1. INTRODUCTION

Jeneponto Regency is one of the regencies that make up the province of South Sulawesi. Bontosunggu is the provincial capital of Jeneponto. As one of the regencies, Jeneponto district must also prepare financial reports at the conclusion of 1 (one) fiscal year as a measure of accountability for regionally managed finances. Regional Government is the implementation of government affairs by the regional government and regional people's representative councils based on the principles of autonomy and co-administration with the principle of broadest autonomy within the system and principles of the Unitary State of the Republic of Indonesia, as outlined in the 1945 Constitution of the Republic of Indonesia. Local government handles regional finances through the Regional Revenue and Expenditure Budget (hence referred to as APBD) for the welfare of the people in the framework of governing. Law No. 17 of 2003 pertaining to State Finances specifies that the intended financial accountability report must be presented in

the form of Financial Statements that include at a minimum Budget Realization Reports, Balance Sheets, Cash Flow Reports, and Notes to Financial Statements, and are prepared using SAP. This financial accountability report is compiled in accordance with applicable regulations in order to determine whether or not the organization is fulfilling its responsibilities effectively. Financial report analysis is one of the means by which local governments' financial management performance may be observed and assessed. When the analysis of financial statements involves interpreting the figures in financial reports in order to evaluate financial performance, the outcomes of the study will serve as a foundation for economic, social, or political decisions (Kawatu, 2019). This financial report analysis focuses on financial reports that utilize an analytical technique to identify and understand existing issues and opportunities so that they will be very useful in making a decision (Farida & Nugraha, 2019).

This study was prepared to find out and understand the financial reports that have been prepared by the Jeneponto Regency Government. From this study, it is hoped that the results will provide benefits in decision making by internal parties (Jeneponto Regency Government) and the wider community as external parties.

2. RESEARCH METHODS

This study was descriptive research methods with a qualitative approach and analysis of the literature or literature study as a data collection technique (Moleong, 2010). Literature study is a research methodology by studying journals, books, articles, theses, and references related to government financial reports.

3. RESULTS AND DISCUSSION

3.1. Regional Financial Performance Ratio

To answer the question in the formulation of the problem, namely how the Jeneponto Regency financial reports are, certain appropriate techniques or methods can be used so that this analysis activity can be useful for policy makers and decision makers. Regional financial success can be measured in a number of ways, including with the Regional Financial Performance Ratio. The following ratios can be utilized:

3.1.1. Effectiveness of Regional Original Income (PAD) Ratio

According to Zuhri & Soleh (2016) states that "the PAD Effectiveness Ratio describes the Regional Government's ability to generate the intended Revenue, which is then compared to the objective based on the region's actual potential. The better the regional capabilities, the greater the PAD Effectiveness Ratio". Following is the effectiveness ratio formula:

$$\text{Effectiveness Ratio} = \frac{\text{Revenue realization}}{\text{Revenue targets}} \times 100\%$$

Table 1. PAD Effectiveness Ratio Measurement Criteria

Percentage	Criteria
X > 100 %	Very effective
100 %	Effective
90 % - 99 %	Effective enough
75% - 89 %	Less effective
< 75 %	Ineffective

Source: Mahmudi, 2016

3.1.2. Regional Financial Efficiency Ratio

Regional Financial Efficiency Ratio (REKD) depicts the ratio between the amount of costs incurred to generate income and the amount of money actually generated. Regional Government Financial Performance is considered efficient if the ratio attained is less than one or less than 100%. The greater the Regional Government Financial Performance, the lower the Regional Financial Efficiency Ratio. The efficiency ratio indicates the degree to which the government is able to reduce the costs it incurs. According to Fitriani (2017) which states that “the greater the local government's performance, the lower the efficient ratio”. The following formula is used to compute this ratio:

$$\text{Efficiency Ratio} = \frac{\text{Realization of Regional Spending}}{\text{Local revenue realization}} \times 100\%$$

Table 2. Efficiency Ratio measurement criteria

Percentage	Criteria
X > 100 %	Inefficient
100 %	Balanced efficiency
X < 100 %	efficient

Source: Mohammad Mahsun (2014:187)

3.1.3. Harmony Ratio

Harmony Ratio shows how regional governments could prioritize the best use of their budgets for Development Expenditures and Routine Expenditures. According to Djuniar (2017) “the greater the proportion of cash dedicated to Routine Expenditures, the lesser the proportion of investment expenditure (Development Expenditure) utilized to develop economic facilities and infrastructure for the community”. This Harmony Ratio consists of two calculations:

a. Operating Expenditure Ratio

This ratio provides the person reading the report with information regarding the proportion of regional expenditures that is devoted to operational expenditures. Expenditures that provide benefits that are used up within the span of one fiscal year are referred to as operational expenditures. Because of this, operational expenditures are typically considered to be of a routine or recurrent character. In general, the share of Operational Expenditure constitutes the majority of the total expenditures for the region, which range from sixty to ninety percent. According to Sembiring (2020) “local governments with high income levels tend to have a higher

portion of operational spending than local governments with low income levels”. The formula for determining the ratio of operational expenses is as follows:

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

b. Capital Expenditure Ratio

On the basis of this ratio, the relevant fiscal year's proportion of regional expenditures devoted to investment as capital expenditures can be determined. Capital expenditure is normal and yields medium to long term advantages. According to Nurabiah (2018) “in general, the proportion of capital expenditures to regional expenditures is between 5-20%”. The formula for calculating this ratio of the amount spent on capital expenditures is as follows:

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

There is no definitive benchmark for the optimal ratio of Operational and Capital Expenditures to APBD, since it is significantly influenced by the dynamics of development activities and the quantity of investment required to accomplish the desired growth.

3.1.4. Growth Ratio

The Growth Ratio is important for determining whether the local government had positive or negative growth during the relevant fiscal year or budget period. Clearly, it is anticipated that revenue growth would be positive and that the trend will rise. Negative growth, on the other hand, will signal a decline in Regional Revenue Financial Performance. The growth ratio is useful for determining prior management ability. According to Putri & Sulastiningsih (2018) “the growth ratio is useful for knowing whether local governments in the relevant fiscal year or during several budget periods, their budget performance has experienced positive or negative growth in income or spending”. The Growth Ratio can be computed using the following formula:

$$r = \frac{\text{Revenue year } n - \text{Income year } (n-1)}{\text{Year income } (n-1)} \times 100\%$$

The Growth Ratio serves to evaluate regional potentials that need attention. According to Fitrianingrum et al. (2017) for a growth ratio the higher the Total Regional Revenue, PAD, and Capital Expenditures followed by the lower Operating Expenditure, the growth is positive. This means that the area has been able to maintain and increase its growth from one period to the next.

3.1.5. Ratio Regional Financial Independence

According to Pramono (2014) states that The Independence Ratio quantifies the dependency of a region on foreign financial sources. The greater the Independence Ratio, the less reliant an area is on foreign support (particularly from the central and provincial governments). And conversely, the smaller the Independence Ratio, the lower the level of community participation in paying regional taxes and levies, which are the primary

**CURRENT ADVANCED RESEARCH ON SHARIA FINANCE AND
ECONOMIC WORLDWIDE
(CASHFLOW)**

sources of Local Own Revenue (PAD). The greater the regional taxes and levies a community pays, the greater its standard of living.

$$\text{Independence ratio} = \frac{\text{Locally-generated revenue}}{\text{Total income}} \times 100\%$$

Table 3. Pattern of Relations and Level of Regional Independence

Financial Capability	Independence (%)	Relationship Patterns
Poor	0 - 25	Instructive
Low	25-50	Consultative
Moderate	50 - 75	Participatory
High	75 - 100	Delegative

Source: Aulia Zhufinsa Nur Rahmatina, 2013

The relationship pattern in the table above can be explained as follows:

- a. In the Instructive Relationship Pattern, the central government's function is more important than the Regional Government's autonomy (regions that are unable to carry out regional autonomy).
- b. The Consultative Relationship Pattern, in which the central government's intervention has begun to diminish since the regions are viewed as perhaps more capable of implementing autonomy.
- c. In accordance with the Participatory Relations Pattern, the role of the central government is reducing, since the affected regions have a degree of autonomy that is close to being capable of conducting autonomous affairs.
- d. In the Delegative Relationship Pattern, the central government no longer intervenes since the regions are competent and independent in managing regional autonomy matters.

3.2. Jeneponto Regency Financial Analysis Ratio

**Table 4. Jeneponto Regency Balance Sheet for FY 2021
I ACCOUNT APBD JENEPONTO GOVERNMENT
YEAR 2021 AUDITED**

Account name	Budget ceiling	Realization	(In rupiah) % Percentage
4. Regional Revenue	1,324,802,16	1,222,246,36	92.26%
41. Regional Original Income (PAD)	165,904,214,	99,135,638,0	59.75%
411. Regional Tax	22,482,178,2	18,960,571,7	84.34%
412. Regional Retribution	110,767,985,	55,033,871,4	49.68%
413. Results of Separated Regional Wealth	5,319,393,00	5,319,393,00	100.00%
414. Other Legal PAD	27,334,658,2	19,821,801,8	72.52%
42. Transfer Income	1,080,159,60	1,047,488,27	96.98%
421. Central Government Transfer Income	1,005,116,76	997,581,051,	99.25%
422. Income Transfers Between Regions	75,042,842,1	49,907,227,3	66.50%
43. Other Legitimate Regional Revenues	78,738,344,0	75,622,448,4	96.04%
431. Grant Income	19,036,420,0	19,040,835,7	100.02%
432. Emergency Fund	-	-	-

433. Other Income According to the Provisions of Legislation	59,701,924,005	56,581,612,730	94.77%
5. Regional Expenditures	1,363,860,31	1,213,711,55	88.99%
51. Operating Expenditures	975,525,434,	889,028,217,	91.13%
511. Personnel Expenditures	519,109,156,	507,847,416,	97.83%
512. Shopping for goods and services	388,428,401,	314,242,137,	80.90%
513. Flower Shopping	-	-	-
514. Subsidy Expenditures	-	-	-
515. Grant Shopping	66,987,877,0	65,938,664,6	98.43%
516. Shopping for Social Assistance	1,000,000,00	1,000,000,00	100.00%
519. Other Shopping	-	-	-
52. Capital Expenditures	213,871,079,	156,263,393,	73.06%
520. Capital Expenditures	213,871,079,	156,263,393,	73.06%
53. Unexpected Shopping	3,439,256,82	1,890,780,51	54.98%
531. Unexpected Shopping	3,439,256,82	1,890,780,51	54.98%
54. Transfer Shopping	171,024,547,	166,529,162,	97.37%
541. Revenue Sharing Expenditures	2,816,676,66	2,513,773,04	89.25%
542. Spending on Financial Aid	168,207,870,	164,015,389,	97.51%
SURPLUS/DEFICIT	(39,058,151,	8,534,810,58	-21.85%
6. Regional Financing	39,058,151,0	38,189,173,9	97.78%
61. Receipt of Financing	41,558,151,0	40,689,173,9	97.91%
611. Surplus of the previous year's budget	41,558,151,0	40,689,173,9	97.91%
612. Disbursement of Reserve Funds	-	-	-
614. Receipt of Regional Loans	-	-	-
615. Receipt of Regional Loans	-	-	-
616. Acceptance of Other Financing In Accordance with Provisions of Legislation	-	-	-
62. Financing Expenses	2,500,000,00	2,500,000,00	100.00%
621. Establishment of a Reserve Fund	-	-	-
622. Regional Equity Participation	2,500,000,00	2,500,000,00	100.00%
623. Payment of Maturity Principal Installments	-	-	-
624. Provision of Regional Loans	-	-	-
SILPA/SIKPA	-	46,723,984,5	-

From the above balance sheet, the ratios used to measure the financial performance of the local government of Jeneponto Regency can be calculated.

- 1) Ratio Effectiveness of Regional Original Income (PAD), describes the ability of the Regional Government to realize the planned Revenue, then compared with the target set based on the real potential of the region.

$$\begin{aligned} \text{Effectiveness Ratio} &= \frac{1.222.246.365.181}{1.324.802.166.724} \times 100\% \\ &= 92,26\% \end{aligned}$$

- 2) The Regional Financial Efficiency Ratio (REKD) illustrates the comparison between the amount of costs incurred to obtain income and the actual income received.

$$\begin{aligned} \text{Efficiency Ratio} &= \frac{1.213.711.554.594}{1.222.246.365.181} \times 100\% \\ &= 99,30\% \end{aligned}$$

**CURRENT ADVANCED RESEARCH ON SHARIA FINANCE AND
ECONOMIC WORLDWIDE
(CASHFLOW)**

- 3) It is not counted because there is no definite benchmark for how big the ratio of Operational and Capital Expenditure to the ideal Regional Budget is.
- 4) The Growth Ratio is helpful for determining whether the local government had positive or negative growth in the relevant fiscal year or during the budget period.

$$r = \frac{1.222.246.365.181 - 1.256.069.109.560}{1.256.069.109.560} \times 100\% \\ = -2,69\%$$

- 5) The Independence ratio illustrates regional dependence on external funding sources.

$$\text{Independence ratio} = \frac{99.135.638.002}{1.222.246.365.181} \times 100\% \\ = 8,11\%$$

4. CONCLUSION

From the discussion in the calculation of financial ratios for Jeneponto Regency, the following conclusions can be drawn:

- 1) The Ratio Effectiveness of Regional Original Income (PAD) is 92,2%, which means it is quite effective. It means regional capacity that is quite effective in realizing planned revenues based on the region's real potential.
- 2) From this research can be seen that the Jeneponto Regency Government gets a score of 99,30%, which means it is efficient in spending costs in collecting revenue.
- 3) The growth ratio is -2,69%, meaning that the Jeneponto Regency Government has not been able to maintain and increase its growth from one period to the next. It is known that a negative value indicates a decrease in regional income financial performance.
- 4) The Jeneponto Regency Government's financial capacity is known to be very low and has an instructive relationship pattern, where the central government's role is more important than the independence of the Regional Government, according to the results of calculating the independence ratio of 8,11% from this research (the regions are unable to implement regional autonomy).

REFERENCES

- Djuniar, L. (2017). Kinerja keuangan pemerintah provinsi sumatera selatan berdasarkan anggaran pendapatan dan belanja daerah (apbd) tahun 2009-2015. *Jurnal Ekonomi*, 22(1), 1–21.
- Farida, A. S., & Nugraha, R. F. M. (2019). Analisis Laporan Keuangan Pemerintah Daerah Kabupaten Subang. *Publica: Jurnal Pemikiran Administrasi Negara*, 11(2), 107–124.
- Fitrianingrum, D., Halim, A., & Zulkifli, Z. (2017). *Analisis Rasio Keuangan Untuk Menilai Kinerja Keuangan Pemda Kabupaten Bantul Tahun 2014-2016*. STIE Widya Wiwaha.

- Fitrianis, C. F. (2017). *Analisis Kinerja Keuangan Daerah Dengan Menggunakan Rasio Keuangan Daerah Pemerintah Kota Binjai*.
- Kawatu, F. S. (2019). *Analisis Laporan Keuangan Sektor Publik*. Deepublish.
- Moleong, L. J. (2010). *Metodologi Penelitian Kualitatif*. Rosda Karya.
- Nurabiah, N. (2018). Analisis Perbandingan Kinerja Keuangan Pemerintah Daerah yang Memperoleh Opini Wajar Tanpa Pengecualian (WTP) di Provinsi Nusa Tenggara Barat. *Jurnal Aplikasi Akuntansi*, 3(1), 67–100.
- Pramono, J. (2014). Analisis rasio keuangan untuk menilai kinerja keuangan pemerintah daerah (Studi Kasus pada pemerintah Kota Surakarta). *Among Makarti*, 7(1).
- Putri, A. A., & Sulastiningsih, S. (2018). *Analisis Kinerja Keuangan Anggaran Pendapatan Dan Belanja Daerah (APBD)(Studi Kasus pada Pemerintah Daerah Istimewa Yogyakarta) Tahun 2012-2016*. STIE Widya Wiwaha.
- Sembiring, I. U. (2020). *Analisis Penerapan Good Corporate Governance (GCG) Dalam Meningkatkan Kinerja Keuangan Pemerintahan Kota Medan*.
- Zuhri, M., & Soleh, A. (2016). Analisis Kinerja Keuangan Pemerintah Daerah Kabupaten Kaur. *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis*, 4(2).