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Parliament Oversight on Local Government Financial Management an Empirical Evidence

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ABSTRACT

The purpose of this study is to explain the effect of the Political Background (PB) and Regulation Understanding (RU) on the Local Financial Oversight (LFO) by the Local House of Representatives (Dewan Perwakilan Rakyat Daerah/DPRD) of Pidie Regency, Aceh, moderated by Public Accountability (PA) and the Public Transparency (PT). Agency perspective is used to explain the phenomena and problems studied. Respondents in this study were 32 members of the DPRD involved in LFO and primary data obtained from questionnaires distributed to them. The model used is multiple linear regression with moderating. The results showed that PB had an effect on LFO, while the RU variable had no effect. Another finding is PT moderates the relationship PB with LFO.

Keywords:

local financial oversight, political background, local government budget, public accountability, public transparency, agency theory.

INTRODUCTION

The role of the DPRD in overseeing local financial management has received wide attention since the implementation of local autonomy in Indonesia in 2001, mainly related to the presence of the DPRD's authority in making budget decisions (Abdullah, 2012; 2018) and local financial oversight (Witono, 2003; Winarna & Murni, 2007). The Laws (UU) of the local government expressly states that the DPRD has a oversight function in the administration of local government. The implementation of the local budget oversight mechanisms, including local financial oversight, are then regulated in DPRD rules which are stipulated by DPRD regulations.

The implementation of the oversight function by the DPRD aims to ensure the implementation of public accountability related to the use of budget resources to achieve the performance targets that have been set (Demaj & Schedler, 2014), in order to obtain solutions to public problems (Hilton & Joyce, 2012). Local governments have a moral obligation to the public to be transparent about how money from taxes is managed (Folscher, Krafchik, & Shapiro, 2000).

However, the supervisory function has a slice with the budgeting function (Abdullah, 2012), thus opening the space for conflicts of interest and self-interest behavior to legislative members (Halim & Abdullah, 2006). The phenomenon that some councilors are project implementing partners funded from the APBD, raises allegations that their involvement since the planning and budgeting process has agency issues (Isaksen, 2005; Adi, 2018). In addition, legislative members have promises that must be fulfilled to their constituents, so that there is a possibility of moral hazard when legislative members carry out their duties at all stages that involve them (Abdullah, 2012). On the other hand, bureaucrats who carry out budgets must be controlled politically (Whitford, 2008; Banks & Weingast, 1992) because they have more complete information than the legislature. That is, the urgency of looking at agency issues is important in the context of oversight by the DPRD, both for the purpose of reducing the moral hazard of the executive as an agent of the DPRD and anticipating the emergence of new agency problems for DPRD members as agents of the voters.

Two important factors relating to oversight by the DPRD have been analyzed by several previous studies, namely the political background of legislative members (Witono, 2003; Winarna & Murni, 2007; Kartikasari, 2012; Utami, 2015; Sari, 2016) as well as knowledge and understanding of certain issues (Winarna & Murni, 2007; Suryanto, 2015; Permatasari, 2015; Utami, 2015; Ofasari, 2017; Sari, 2017). However, linking the oversight function by the DPRD to public accountability and transparency, especially in the context of budget execution, has so far not been examined. Public accountability and transparency relate to the mechanisms, individuals, and climate of the organization in carrying out its functions from beginning to end (Rubin, 1996) in its connection with the outside world of the organization. While Rios, et al. (2014) found that legislative oversight affected transparency. Therefore, stakeholder participation is needed through accountability and public transparency to support the effectiveness of legislative oversight (Santiso, 2004).

The legislature is an institution that provides a channel for the government to convey its accountability to the public constitutionally (Pelizzo & Stapenhurst, 2004; Stapenhurst, 2008). In local government, public accountability by the executive to the community (the electorate) is carried out through the DPRD, so that the DPRD carries out oversight, legislative, and budget functions as a tool to ensure that agreements made on behalf of the people in the provisions of local laws (Perda) can be implemented well. According to Pelizzo & Stapenhurst (2004), the potential for oversight is strongly influenced by three variables, namely the form of government, income per capita, and the level of implementation of democracy.

The role of the DPRD in overseeing local financial management is expected to reduce corrupt practices in the implementation of the budget (Sarfo-Kantankah, 2018). A strong parliament will make the government more accountable (Rahman, 2008:31). However, rent-seeking behavior that occurs in the legislature (Ferraz & Finan, 2007; Adi, 2018) can lead to political corruption (Mauro, 1998; Abdullah, 2012), so that public accountability and transparency must involve the legislature on an ongoing basis (Rios, et al., 2014). That is, the legislature must also be accountable and transparent in carrying out its duties and functions (Abdullah, 2012).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

DPRD and Agency Problems in Local Financial Management

The main purpose of oversight is to minimize agency problems (Moe, 1984; Fozzard, 2001), including in financial management in the public or government sector (Fozzard, 2001). local parliament or legislative organization, namely DPRD, is a component of local government regulators and is involved in establishing local development policies in the form of local regulations, which form the basis for local governments in carrying out their functions, including local financial management, as well as guidance in assessing performance on the achievement of targets has been stipulated in the local development planning document.

DPRD is involved in the planning and management of local finances in 7 (seven) stages, namely: (1) determination of the local long-term development plan (RPJPD); (2) establishment of local mid-term development plans (RPJMD); (3) discussion of general APBD policies and provisional budget priorities and ceilings; (4) discussion of the draft APBD; (5) discussion of the draft of APBD changes; (6) discussion of the accountability report/LKPJ; and (7) discussion of the budget report. This means that the DPRD has a very important role in the planning and management of local finances, including carrying out the oversight function.

The agency perspective can explain how the relationship between local government (executive) and local representative institutions (legislative), especially related to the delegation and accountability (Abdullah & Halim, 2006). Oversight by the legislature and accountability by the executive are responsibilities mandated in the constitution (Mbetse, 2016). On the other hand, parliament also has a responsibility to the public and must be monitored so that it does not abuse its power (Abdullah, 2012).

Local financial management is carried out based on the APBD which is determined every year before the fiscal year regarding the start through the approval of the DPRD. The budget preparation process involves many parties, namely the local government budget team (TAPD), SKPD and DPRD, as well as stakeholders through the Musrenbang mechanism. The basis for drafting the APBD is

the annual targets in the RPJMD, which have been approved by the DPRD and determined by Perda. The DPRD will oversee the implementation of the budget to ensure that the program implemented is in line with the contents of the RPJMD during the term of office of the local head (executive). This means that the role of the DPRD is very important in the oversight of local finances.

Local Legislature Oversight on Local Financial Management

One function of the local parliament (DPRD) is the oversight function. Article 20 Government Regulation (PP) No.12 /2017 states that oversight by the DPRD is of a policy nature, including covering: the implementation of local regulations and local head regulations, as well as the implementation of follow-up to the results of audits of financial statements by the Supreme Audit Agency (BPK). The DPRD's rights in carrying out its supervisory function are: (1) to obtain a report on the results of BPK's inspection; (2) discussing the BPK audit report; (3) asking for clarification on the findings of the audit report to the BPK; and (4) requesting the BPK to carry out further checks in accordance with statutory provisions.

The importance of the oversight function by the representative body (parliament) has been broadly agreed upon by the unity of the world parliament. Chohan (2017) states that the legislature is responsible for overseeing (act as a watchdog) the bureaucracy. Therefore, oversight contains many aspects which include political, administrative, financial, ethical, legal and strategic elements. Some supervisory functions are, first, to detect and prevent misuse, arbitrary behavior or acts that violate the rules that occur in government organizations. Second, to ensure that the government is responsible for the use of resources derived from taxes, so there is no unnecessary waste by applying the 3E's principle, namely efficiency, economy and effectiveness, for all government operations. Third, to believe that the policies promised by the government and approved by the legislature are actually implemented. This includes monitoring the achievement of established targets and government programs themselves. Finally, to increase transparency of government operations and increase public trust in the government, which is a conditional precondition for public policy to be implemented effectively.

Oversight activities by the legislature have begun to be widely studied in political science in recent decades (Pelizzo, et al., 2006). Lees's (1977) opinion that the issue of legislative oversight is important, but not much researched, is closely related to the gap between the existing oversight practices and tools. Maffio (2002) then discusses instruments that can be used to analyze legislative oversight. Research findings of Pennings (2000), Damgaard (2000), Pelizzo & Stapenhurst (2004), and Pelizzo & Stapenhurst (2004) indicate that there are variables that influence legislative oversight.

Pelizzo, et al. (2006) states that the understanding of the legislative oversight function is not the same. This has become the concern of Rockman (1984). In South Africa, oversight is a function mandated by the constitution for legislative organs to examine and oversee the actions of the executive and each organ of government. According to Demaj & Schedler (2014), legislatures need a variety of information in carrying out their functions, but often choose those related to the prospect of being re-elected in the next election.

Stapenhurst & Pelizzo (2012) found a positive relationship between increased legislative oversight and the reputation of parliament and the reputation of its members, the legitimacy of democracy and political institutions, and the success in eradicating corruption. They also found that the completeness of oversight tools is very important in oversight. In addition, there are contextual factors that must be considered, such as a low level of participation at the commission/legislative level, the ability to find alternative sources of information, and the quality of recommendations for implementing good governance (Straussman & Renoni, 2011).

Countries with a parliamentary form of government, high income levels, and more democratic, have more oversight tools and greater potential for oversight. That is, the use of the inquiry committee, the interpellation and the ombudsman's office have a different pattern. The use of interpellation as the most common monitoring tool in high-income countries, less common in low-income countries, while the presence of inquiry committees and ombudsman offices is most common in middle-income countries, less common in high-income countries and at least common in low-income countries (Pelizzo & Stapenhurst, 2004).

Braendle & Stutzer (2013) proposed a framework for integrating legislators' identities in the political-economic aspects of oversight. The legislator's efforts in oversight depend on the cost of individual control and the level of competition in the election. Government apparatus placed in parliament play an important role in the implementation of oversight by the parliament because they have experience and mastery of good information that is useful for members of the legislative. According to Braendle & Stutzer (2013), for the case in Germany, the existence (support) of civil servants in parliament is positively related to the amount of interpellation proposed by legislative members. Therefore, staff in parliament buildings must also be independent (nonpartisan) and have good skills to cover legislative weaknesses in technical-administrative matters (Straussman & Renoni, 2011).

Public Accountability and Transparency in Local Financial Management

Public accountability and transparency are two interrelated and inseparable concepts in public finance, as part of the concept of new public management (Lee, 2008). Simply stated, accountability can be interpreted as a concept and mechanism of accountability for what has been established, implemented, and the delivery of reports. Therefore, accountability is broader than just the delivery of accountability reports. Rubin (1996) states that accountability, in the context of public budgeting, can be seen from many sides, but in principle is the delivery to the public of what, why, and how resources are obtained and used by managers of public organizations. Accountability is also implemented in the form of delivering accountability by the executive to the legislature, including in the form of budgetary accountability in the form of financial reports (Steccolini, 2004).

Accountability is an important issue in the management of government performance (Hwang, 2019) and is regulated in a lower constitution or legislation related to the mechanism (Stapenhurst, 2008). Previous studies have shown differences in results related to the relationship between performance and discretion with accountability. According to Hwang (2019), performance influences accountability and this relationship can be moderated by trust in the case in South Korea and Japan. If the government works well, it will

have high trust, which is then followed by high accountability.

GASB (1987) defines accountability with the sentence: "the requirements for government to answer the citizenry-to justify the raising of public resources and the purposes for which they are used". According to the GASB, financial reporting is very important to fulfill the government's public accountability obligations that public resources are used appropriately, so that public trust can be maintained. Financial reporting can provide information that helps users to find out fairness between periods by showing whether current year income is sufficient to finance current year services or whether taxpayers will be charged in the future for previously provided public services.

Transparency is one of the pillars in modern public financial management, in addition to accountability and public participation. The regulations governing state finances also stress the importance of transparency. The OECD mentions several benefits of budget transparency, namely:

- a. **Accountability.** Clarity regarding the use of public funds is very important for local officials and DPRD members as a form of accountability related to the effectiveness and efficiency of their use.
- b. **Integrity.** Public spending is not only vulnerable to waste and abuse, but also fraud. Integrity standards must be built as well as possible to avoid opportunities for corruption through the budget.
- c. **Inclusiveness.** Budget decisions are greatly influenced by the interests and living standards of different people and groups in society. Transparency will encourage an inclusive and intelligent debate about the impact of budget policy;
- d. **Trust.** An open and transparent budget process will encourage confidence in the community that the public interest has been accommodated and that public money has been used properly and wisely.
- e. **Quality.** Transparent and inclusive budgeting will support the creation of better fiscal results and more responsive, impactful and equitable public policies.

Rios, et al. (2014) states that legislative budgetary oversight is influenced by the type of

legislature, the legal system, budgetary oversight by government auditors, the level of the economy, and the level of democracy. Advances in information and communication technology support the implementation of online public accountability and transparency. Although the measurement of public organization's performance, effectiveness and efficiency of the budget can be done better, public managers still have concerns to publish performance information online (Melitski & Manoharan, 2014). At the same time, civil society communities that are connected online can more easily obtain and discuss government-related information, which has implications for public trust in the government in the long run. The implementation of e-planning and e-budgeting, in which there is public participation and the role of the DPRD in budgeting and oversight, is an important tool to increase transparency, accountability, and public participation in development and public services in the regions.

Hypothesis Development

The Effect of Political Background on Local Financial Oversight

Political background is related to the experience of individual members of the legislative in politics, which includes experience in the DPRD, the original political party, and the origin of the commission (Kartikasari, 2012). Political background is also related to the platform of the original political party, which colors the role and function of a legislative member. Abdullah (2012) states that the preference of a councils in taking is influenced by the preferences of the original political party.

oversight is part of the efforts made by the principal (legislative) to reduce the moral hazard behavior of the agent (executive). However, oversight can also be a tool for the legislature as the principal when it is in a position as an agent (agent) of the voters (voters). Lane (2000) explains how principals can act like agents. Parliament is an agent for voters as well as principal for executives (Moe, 1984).

His background as a member of a political party and his experience as a member of the legislative are closely related to the implementation of more effective and efficient tasks and functions. In addition to understanding technical operations

in the field, the decision making process is also more efficient because it has mastered relatively complete information with a wider network. Kartikasari (2012), Utami (2015), and Sari (2016) research found that political background influences the role of DPRD in local financial oversight, while the study of Witono (2003) and Winarna and Murni (2007) found no influence. Therefore, the hypothesis regarding the influence of political background on local financial oversight is stated as follows:

Hypothesis 1: Political Background affects Local Financial Oversight.

The Effects of Regulation Understanding on Local Financial Oversight

Legislative members' understanding of regulations (legislation) largely determines the capacity of a legislative member in carrying out its oversight functions. Regulations must be well understood by legislative members in order to carry out their functions. The regulation itself is the basis for carrying out all the tasks and functions of government work units (agencies), including in the SKPD in the local government. Implicitly, the budget is a manifestation of regulations in the form of figures that must be obeyed or followed by legislative/SKPD members.

Understanding of the regulations governing local financial management becomes the glue and determining factor in the implementation of transparent and accountable local finance among many stakeholders, including the legislature. Therefore, in practice, all DPRD members must participate in capacity building activities in the form of training, the budget of which is allocated in the APBD in the form of technical guidance or training activities. This is seen as increasing the effectiveness of local financial oversight by the DPRD.

Understanding of regulations is very important because the essence of this oversight is to ensure that all activities carried out are in accordance with established technical mechanisms and guidelines, which are stated in the form of local head regulations (governors, regents, mayors). Through parliamentary tools (councils) called committees, the legislature studies and uses all relevant regulations, so that oversight of the implementation of development policies and public services by local governments can be carried out effectively and

efficiently. Utami (2015) and Permatasari (2015) found that budgetary knowledge affected local financial oversight, while Suryanto (2015) found no influence. Furthermore, Ofasari's study (2017) proves that the understanding of regulation has a significant effect on the role of legislative members in local financial oversight.

The hypothesis about the effect of the regulation understanding on local financial oversight by the DPRD can be stated as follows:

Hypothesis 2: Regulation Understanding affects the Local Financial Oversight.

The Effect of Public Accountability and Public Transparency on the Relationship between Political Background and Local Financial Oversight

Public accountability is a condition that must be met in modern public management that can be applied well in the management of public finances through the budget (Rubin, 1996). Accountability includes elected officials who carry out their duties in accordance with applicable regulations, mechanisms that must be followed (compliance), and reports that must be submitted, according to the needs and conditions in force. Public accountability inherent in the SKPD and local government must be in line with the implementation of the local financial oversight function by the legislature.

Good public accountability will cover weaknesses in the legislative education background, or make it easier for legislators to carry out their oversight functions. The context of public accountability in this case is the willingness of the overseen agency to deliver all the things needed by the legislature as a watchdog for the policy being implemented, in accordance with the provisions stipulated in the legislation.

Parliamentarians themselves must be accountable, so that along with the oversight function they have. Oaths taken by MPs when they are appointed reflect a commitment to abide by the rules of the game that govern their behavior and how to make decisions in favor of the public interest (Abdullah, 2012). Public accountability applied to executives also applies to local parliament members, thus showing consistency in terms of financial oversight based on local regulations.

The research hypothesis can be stated as follows:

Hypothesis 3a: Public Accountability affects the relationship between Political Background and Local Financial Oversight.

Public transparency is an important factor in the management of local finances because it requires public access to information that is the basis for budget decision making, program implementation, and evaluation of the achievement of performance targets. Good transparency will make it easier for the legislature to confirm the implementation of local government programs. The availability of information, both online and off-line will greatly assist the legislature when preparing an analysis of the performance of SKPDs that are its partners. This means that the influence of the legislative background on the quality of financial oversight will be better if the information needed is easily obtained/accessed.

DPRDs that have good access to information before becoming members of the DPRD (for example, involved in advocacy and governance) have better capacity to carry out the oversight function when serving as DPRD members. This means that good oversight must be supported by sufficient information, both accessible before and after sitting as a member of the DPR. The research hypothesis can be stated as follows:

Hypothesis 3b: Public Transparency affects the relationship between Political Background and Local Financial Oversight.

The Effect of Public Accountability and Public Transparency on the Relationship between Regulation Understanding and Local Financial Oversight

Understanding the regulations that underlie an issue is the essence of the legislative oversight function, because regulation is a benchmark for the legislature to ensure there are irregularities by the executive. Bias in budget decision making is usually followed by a bias in implementation (Larkey & Smith, 1989), so oversight at the time of implementation is very important to do.

A work environment that has an accountable climate will encourage all individuals in it to behave accountably. Various policies and habits that have become the flesh and blood of stakeholders and policy makers have implications for their respective activities. On the other hand, the accountability

of legislative members will affect the quality in carrying out the oversight function of the legislative.

The research hypothesis can be stated as follows:

Hypothesis 4a: Public Accountability influences the relationship between Regulation Understanding and Local Financial Oversight.

Transparency is an important factor in maintaining public confidence in the government (Grimmelikhuijsen, 2010). Melkers & Willoughby (2005) states that agencies in the federal government in the US apply high standards for transparency of performance information that is applied internally and publicly, and explain how this information explains the achievements of the programs implemented and their impact on society.

The concept and level of public transparency is built on the existence of a common understanding related to the rules that apply between two parties who "deal" with regard to local financial oversight. Public transparency as a condition that must be built or created will facilitate the implementation of the local financial oversight process by the DPRD due to the tendency of local governments to be transparent to the community. This means that members of the legislature's regulations understanding may be meaningless in oversight because the public has easily obtained all the information they need (high transparency). So, the hypothesis proposed for this relationship is:

Hypothesis 4b: Public Transparency affect the relationship of Regulation Understanding with Local Financial Oversight.

RESEARCH METHODS

Location, Population, and Samples

This research was conducted in Pidie District, Aceh with a population of all members of the Pidie Regency House of Representatives (DPRD) for the 2014-2019 period, amounting to 45 people. The selected sample is the members of the council involved in the oversight of local finances (purposive sampling), namely the council members who are members of Commission B in charge of economics/finance and members of the legislative budget agency, totaling 31 people.

Types, Sources, and Data Collection Techniques

The type of data used in this study is primary data, obtained by distributing questionnaires to respondents, namely members of the DPRD of Kabupaten Pidie, a district in Aceh province, Indonesia. Respondents filled out questionnaires that were delivered directly by researchers and in the process of filling up discussions also occurred related to the local financial management, particularly in the implementation of local financial oversight functions by the DPRD members.

The data collection process carried out resulted in 31 returning questionnaires, or 88.5% of the 35 questionnaires distributed. Profile of respondents were: 30 or 96.7% respondents were male, 17 or 54.8% were 41-50 years old, 21 or 67.7% were senior high school level graduate, and 23 or 74.1% respondents came from the Partai Aceh, the biggest local party in Aceh.

Operationalization of Variables

This study uses 3 (three) types of variables, namely the dependent variable, the independent variable, and the moderating variable. The measurement uses a Likert scale of 5 (five) points. The following are definitions and indicators for each variable:

Dependent variable. The dependent variable in this study is the local financial oversight (LFO), which is defined as the implementation of the oversight function by the DPRD through Commission B and the legislative budget agency. This oversight function has the objective of ensuring that the implementation of local financial management is in accordance with the laws and regulations and the applicable mechanism. This variable is measured using 4 (four) indicators stated in the following statement: (1) how is the involvement of the DPRD in monitoring the implementation of the APBD; (2) how is the analysis conducted by the legislative on the executive accountability report on the implementation of the APBD; (3) how is the evaluation carried out by the executive on the proposed changes to the APBD; and (4) how the request for an explanation by the legislative to the Regent is related to the accountability report on the implementation of the APBD that has been submitted by the Regent.

Independent Variable. There are two independent variables used in this study, namely

Political Background (PB) and Regulation Understanding (RU).

- Political Background (PB). LBK is defined as the political orientation tendency of a legislative member based on involvement in political parties, measured by (1) experience of joining political parties; (2) positions in the management/organization of political parties; (3) capacity building in politics; and (4) relations with political parties in public decision making.
- Understanding of Regulation (RU). RU is defined as the legislative members' understanding of the laws and regulations which underlie the implementation of the duties and functions of the legislative members and overall local financial management, both in policy and operational aspects. Measurement for this variable uses five statements, namely an understanding of: (1) the important role of legislative members in the discussion and determination of the APBD; (2) implementing the supervisory function of legislative on the implementation of the APBD; (3) the obligation to comply with the rules of the legislative in carrying out its functions as a member of the legislative; (4) the function of commissions in the implementation of LFO; and (5) comparative regulations in overseeing relevant SKPD (for example: regent regulations).

Moderating Variables.

There are two moderating variables used in this study, namely Public Accountability (AP) and Public Transparency (PT). The operationalization of these variables is:

- Public Accountability (AP). Public accountability is a mechanism implemented by public officials to convey accountability to the public for the tasks that have been carried out and the performance that has been achieved for the assignment. This variable is measured using 7 (seven) statements about (1) gathering community aspirations; (2) holding Musrenbang; (3) local government accountability to the DPRD; (4) delivery of semester reports by the local head to the DPRD; (5) the submission of financial statements as accountability for the implementation of the

local budget; (6) preparation of the program with economic principles; and (7) preparation of programs with the principle of efficiency.

- **Public Transparency (PT).** Public Transparency is a mechanism implemented by public officials to be open and willing to provide access to the public to the fulfillment of public information that can be used for decision making. This variable is measured using 4 (four) statements about (1) Regulation which forms the basis of APBD preparation; (2) ease of public access to planning documents; (3) dissemination of local budget designs; and (4) socialization of the draft budget by the local Secretary as chairman of the TAPD to the public.

Research Model

This study uses a multiple linear regression model with moderating to examine the influence of political background (PB) and understanding of regulation (RU) on the implementation of the DPRD (LFO) oversight function and how the influence of public accountability (PA) and public transparency (PT) on both relations the. The referred regression equation can be written as follows:

Insert Table 1 here

The regression equation constructed in Model 1 is intended to examine the effect of two independent variables, namely LBK and RU, on LFO. In accordance with the research hypothesis, LBK and RU are predicted to have a positive effect on LFO.

The regression equation in Model 2 is used to test the effect of LBK on LFO by being moderated by PA and PT. PA and PT each have a positive effect on LBK's relationship with LFO. This means that LBK's influence on LFO will get stronger if the PA and PT get better.

The regression equation in Model 3 is used to test the effect of RU on LFO by being moderated by PA and PT. PA and PT are predicted to each have a positive influence on the relationship between RU and LFO. This means that the influence of RU on LFO will be stronger if the PA and PT get better.

RESULTS AND DISCUSSIONS

Descriptive Statistics

Statistical descriptions for the data that has

been processed are presented in the following table:

Insert Table 2 here.

The statistical description of the research data shows that the respondents' answers for all statement items averaged 40.72. The highest standard deviation is in the PT variable and the lowest is in the LFO and PA variables, while the lowest minimum value is 2.75 (PT) and a maximum of 5 (LFO, PB, RU).

Test Results with Regression Models

Testing the research hypothesis using multiple linear regression models and by using two moderating variables. Following are the test results for the three models used:

Model 1: Multiple Regression without Moderating

Model 1 is used to test hypothesis 1 which states that "political background affects local financial oversight" and hypothesis 2 which states that "regulation understanding affects local financial oversight". The data processing process produces an equation that can be written as follows:

Insert Table 3 here.

Based on these equations, it can be explained that, first, this regression equation can be used to explain the phenomenon of LFO by using two independent variables, namely PB and RU, with Sig. F is 0.002. That is, statistically together, PB and RU influence on LFO.

Second, the PB variable coefficient value of 0.605 indicates that this variable has a positive effect of 0.605 units on changes in the LFO variable. The rest is influenced by other variables. The magnitude of this effect is statistically significant, as indicated by the Sig. equal to 0.002, which is less than the specified significance level (α) of 5%. It means, statistically, PB influences LFO.

Third, the RU variable coefficient value of -0.148 indicates that this variable has a negative influence direction of 0.148 units on the LFO variable, but this effect is not statistically significant because the Sig. amounted to 0.259, greater than the degree of significance set (α) 5%. These results support the findings of Suryanto (2015) and Sari (2016) which state that the knowledge of legislative members does not affect local financial oversight. This result is different from the results

of Permatasari (2015), Utami (2015), and Kuddy (2017) research which found that the legislative's knowledge of the budget influences local financial oversight. The budget itself is a manifestation of regulation (as an "attachment" of the APBD local Regulation), so that the legislative's knowledge of the budget should affect the "quality" of the local financial oversight that they do.

Fourth, the coefficient of determination of 0.352 shows that this equation can explain 35.2% of the variables that affect LFO. This value is not large enough, so we need to add a new variable that is thought to contribute to the LFO variable.

Model 2: Effect of PA and PT on PB Relationship with LFO

Data processing by placing the PA and PT variables as moderating in the relationship between PB and LFO produces the following equation:

Insert Table 4 here.

Based on these equations it can be explained that, first, the coefficient value of the PB variable of -2.037 indicates that changes in the PB variable negatively affect changes in the LFO variable. That is, the better the political background of the members of the council, the worse the local financial oversight by the DPRD. However, this effect is not considered important or can be ignored because the significance value is greater than 0.05 or $\alpha = 5\%$.

Second, the two moderating variables included in the model, namely PA and PT, did not affect PB's relationship with LFO. This is because the significance value of these two variables after being multiplied by the PB variable (written as $PB*PA$ and $PB*PT$) exceeds $\alpha = 5\%$. This result is consistent with the findings of Permatasari (2015) which states that public accountability has no effect on the relationship of the council's budgetary knowledge with local financial oversight.

Third, a coefficient of determination of 0.510 indicates that this equation can explain changes in the LFO variable of 0.510, while the rest is explained by other variables not included in this model. However, the value of R^2 has increased compared to the regression without moderating as a result of the addition of the independent variable in the regression equation, which is only 0.352.

Fourth, in the absence of even one independent variable that has a significant effect

on the dependent variable, it can be stated that this model failed to prove the influence of moderating variables on PB's relationship with LFO. These results indicate several phenomena that must be explained in theory and related to the results of empirical studies that have existed before.

The addition of PA and PT variables does not have a positive influence on the role of political background in carrying out local financial oversight, so that public accountability carried out by local heads does not correlate with oversight by the council. Therefore, executive and legislative accountability and transparency of the public need to be improved by establishing standardized mechanisms and easily accessible to the public. Accountability of legislative members so far does not have guidelines that apply nationally, as well as legislative public transparency. If the demands for public accountability and transparency are only addressed to the executive, then the effectiveness of the implementation of the supervisory function of the legislative, especially for local financial oversight, cannot be achieved.

The diverse political backgrounds of legislature, including most who are not familiar with bureaucratization and highly procedural public administration, are thought to be the reason why AP and PT are not related to oversight by the legislature. Empirically, findings on the influence of political background on local financial oversight varied, namely positive effect (Kartikasari, 2012; Suryanto, 2015; Sari, 2016) and had no effect (Witono, 2003; Winarna and Murni, 2007).

Model 3: Effect of AP and PT on the Relationship of RU with LFO

Data processing by placing the PA and PT variables as moderating in the relationship between RU and LFO produces the following equation:

Insert Table 4 here.

Based on these equations, it can be explained that, first, the regression model with these two moderating variables gets an F value of 4.496 with a significance value of 0.005 (less than 0.05). That is, this model can be used to predict LFO with one independent variable (i.e. RU) and two moderating variables (PA and PT).

Secondly, the PA variable has no effect on LFO and as a moderator also does not affect the

relationship between RU and LFO. Coefficient value and Sig. PA variables in both positions were 2.739 (0.175 or greater than 0.05) and 0.1010 (0.194 or greater than 0.05).

Third, when the PT variable is placed as an independent variable, the regression coefficient value obtained is -5.153, which means that if the number for this variable changes, the LFO variable will also change by 5.153 in the opposite direction. That is, if the PT indicator increases, then the LFO indicator will decrease by 5.153 times. PT variable also affects LFO because it has a Sig. which is lower than 0.05 or $\alpha = 5\%$.

Fourth, when the PT variable is placed as a moderating variable for the relationship of RU with LFO (written $RU*PT$), a regression coefficient value of 0.216 is obtained. This shows that the moderating variable gives an effect of 0.216 times the change in the LFO variable. The influence of this moderating variable is also statistically significant because the Sig. amounted to 0.022, lower than the degree of significance set at 0.005.

The variable public transparency (PT) can be used as a predictor of LFO as well as moderating the causality relationship between RU and LFO. This means that transparency is very important in supporting DPRD oversight of the implementation of the APBD by the executive. This result cannot reject hypothesis 4b which states that public transparency influences the relationship of understanding of regulation with local financial oversight. The better public transparency, the more influential the knowledge of the council's regulations on local financial oversight. This can be interpreted that transparency can complement the understanding of legislative members' regulations and make the legislative oversight function better. The findings of Rios, et al. (2014) are supported by this result.

The supervisory function of the legislative is guided by the rules that have been set, namely local regulations and regulations of the local head, in addition to the performance targets that have been mutually agreed upon by the local head and the DPRD. The local budget itself is the "most important rule" that is guided by all agencies in carrying out their activities. That is, all SKPD activities are based on allocations in the APBD. These results are in line with the results of research by Suryanto (2015) and

Utami (2015), who found that accountability affects the relationship between budget knowledge and local financial oversight by the DPRD.

Public transparency is carried out by the executive, one of them by providing information related to information and regulations needed by the community, correlated with the implementation of the financial oversight function of the DPRD. Utami's findings (2015) show that transparency of public policy affects the relationship between the legislative's knowledge of the budget and the oversight of the council on local finance. However, Permatasari's research (2015) shows the opposite result, namely transparency of public policy does not affect the relationship of knowledge about the budget with local financial oversight.

This research can be developed in the future for the following matters: first, the addition of respondents and distinguish them from the background of political parties. Specifically in Aceh, local parties has a different platform than the national parties. Second, an analysis related to the effectiveness of oversight needs to be carried out, especially in relation to the relationship between the DPRD and local heads from the same political party. Third, refine the research questionnaire. The questionnaire did not cover all items related to the legislative's oversight function, including its relation to other functions, such as budgeting and the formation of local regulations (legislation). Finally, add a new variable. local financial oversight is a much broader concept than that covered in this study.

This research is not yet perfect and requires replication and development in the future. There are several limitations and weaknesses in this study, namely: first, only using respondents from DPRD members from one region, namely Pidie District. This has several weaknesses, including: relatively homogeneous respondent characteristics, dominating political parties are local political parties, which are different from the national political parties in other Regions, and do not include all members of the council as respondents because the members of the council were not willing to fill out questionnaires/answer oral questions. Second, the questionnaire must be improved again, especially in the measurement for moderating variables. This weakness is thought to

be the reason why the moderating variables (public accountability and public transparency) do not have significant effect.

CONCLUSION

Based on the results and discussion previously explained, the following conclusions can be drawn: first, the political background of local parliament members (PB) has effect on local financial oversight

(LFO), whereas the understanding on regulations (RU) does not. Second, the moderating variables, public accountability (PA) and public transparency (PT) has no effect on the relationship between PB and LFO. Finally, moderating PA does not affect the relationship between RU and LFO, while PT has effect. These results confirm the hypothesis that public transparency applied by local governments is closely related to the effectiveness of financial oversight by the DPRD.

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APPENDIX

Table 1. Regression Models

Model	Regression Equation	Explanation
1.	$Y = a + b_1X_1 + b_2X_2 + e$	Y = LFO; X ₁ = PB; X ₂ = RU; X ₃ = AP; X ₄ = PT a = constant; b ₁ -b ₅ = regression coefficient
2.	$Y = a + b_1X_1 + b_2X_3 + b_3X_4 + b_4X_1 \cdot X_3 + b_5X_1 \cdot X_4 + e$	
3.	$Y = a + b_1X_2 + b_2X_3 + b_3X_4 + b_4X_2 \cdot X_3 + b_5X_2 \cdot X_4 + e$	

Table 2. Descriptive Statistics

Variabel	N	Mean	Standard Deviation	Minimum	Maximum
LFO	31	4,22	0,30	3,75	5,00
PB	31	4,30	0,36	4,00	5,00
RU	31	4,22	0,33	3,50	5,00
AP	31	4,06	0,30	3,57	4,71
PT	31	3,56	0,44	2,75	4,25

Table 3. Model 1 Regression Results

$LFO = 10,215 + 0,605 PB - 0,148 RU + e$			
Sig. value	0,000	0,002	0,259
t-value	4,110	3,506	-1,153
F-value/Sig. F	7,622/0,002		
R/R ² /Adj. R ²	0,594/0,352/0,306		

Table 4. Model 2 Regression Results

$LFO = 48,503 - 2,037PB - 0,328AP - 1,847PT + 0,016PB \cdot AP + 0,127PB \cdot PT + e$						
Sig. value	0,155	0,297	0,847	0,355	0,874	0,289
t-value	1,468	-1,066	-0,194	-0,942	0,160	1,082
F-value/Sig. F	5,209/0,002					
R/R ² /Adj. R ²	0,714/0,510/0,412					

Table 5. Model 3 Regression Results

$LFO = 13,270 - 0,228RU + 2,739AP - 5,153PT - 0,101RU \cdot AP + 0,216RU \cdot PT + e$						
Sig. value	0,716	0,872	0,175	0,030	0,194	0,022
t-value	0,368	-0,163	1,395	-2,299	-1,334	2,438
F-value/Sig. F	4,496/0,005					
R/R ² /Adj. R ²	0,688/0,473/0,368					