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## EVALUATION OF LOCAL GOVERNMENT BUDGETING POLICIES DURING COVID-19 PANDEMIC

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# EVALUATION OF LOCAL GOVERNMENT BUDGETING POLICIES DURING COVID-19 PANDEMIC

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## ABSTRACT

This study aims to evaluate AAA District Government budgeting during the Covid-19 pandemic. This evaluation focuses on two things: the suitability of budgeting regulations and policies with applicable laws and regulations, as well as a review mechanism for each budget change. This research is motivated by the central government regulations in dealing with the impact of the Covid-19 pandemic on social, economic, and community welfare aspects that affect local government budgeting. This research employed a qualitative method with a case study approach. The analysis used content and thematic methods with document analysis, questionnaires, and interviews. The results showed that the regulations and budgeting of the AAA District Government during the Covid-19 pandemic do not fully refer to the applicable regulations. Both policies and budget translation have not fully complied with all central government regulations, especially regarding the percentage of spending rationalization and the allocation of the use of transfer funds from the center for handling Covid-19. In addition, the government's internal supervisory apparatus has not conducted an in-depth review of all changes to the budget translation.

**Keywords:** accountability, budget process, Covid-19

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## 1. INTRODUCTION

Systems and societies around the world have been dramatically affected by COVID-19. Governments in many countries have imposed significant restrictions on the movement of people to limit the outbreak. Governments are adopting extraordinary measures to protect their citizens, businesses, and institutions (Argento et al., 2020). The economic impact began to be felt in 2020 when global financial markets moved unstable, and several international institutions projected that the global economy would experience a recession (Ministry of Finance, 2020). According to Heald and Hodges (2020), the Covid-19 pandemic has had a significant impact on countries such as the United Kingdom. The UK government recorded a budget deficit of £322 billion and an increase in debt of £2,205 billion in 2020-2021.

In Indonesia, the Covid-19 pandemic has also affected the slowdown in national economic growth. The Central Statistics Agency (Badan Pusat Statistik, BPS) recorded Indonesia's economic growth in the first quarter of 2020 at 2.97%, slower than the same period in 2019 of 5.07%. The realization of the 2020 State Budget deficit as of March 31, 2020, reached IDR 76.44trillion or 0.45% of Gross Domestic Product (GDP), with the realization of budget financing of IDR 74.21trillion, so there is a budget financing shortfall of IDR 2.23trillion (Ministry of Finance, 2020).

The government feels the need to take policies and steps in handling the Covid-19 pandemic and saving the national economy and financial system stability through various relaxation policies related to the implementation of the State Budget immediately. Handling Covid-19 also requires integrated steps and synergy between the central and local governments. Minister of Home Affairs Regulation Number 20 of 2020 concerning the acceleration of handling Covid-2019 in local governments emphasizes that local governments need to prioritize the use of the Regional Budget (Anggaran Pendapatan dan Belanja Daerah, APBD) to anticipate and handle the impact of Covid-19. Local governments can make expenditures for which the budget is unavailable, with a direct burden on unexpected expenditures. This local government's authority prioritizes increasing the capacity for handling health and other matters related to health, handling economic impacts, especially keeping the business world of each region alive, and providing social safety nets.

In line with these regulations, the Minister of Home Affairs and the Minister of Finance issued Joint Decree No. 119/2813/SJ and 177/KMK.07/2020, dated April 9, 2020, regarding the acceleration of adjustment to the 2020 regional revenue and expenditure budget in handling covid-19 and securing public

purchasing power and the national economy. The joint decision asked heads of local government to adjust regional revenue targets in the APBD and adjust regional expenditures through rationalization of personnel expenditures, goods/services expenditures, and capital expenditures aimed at the health sector, social safety nets, and handling economic impacts.

The people demand transparent and accountable financial management, especially in pandemic conditions. In this case, the government plays a role in regulating and supervising the budgeting process and financial management implementation. Previous research on refocusing in Indonesia concluded that refocusing based on presidential instructions would neglect regional autonomy-based budgeting (Junaidi et al., 2020). Cahya et al. (2021) examined the need for an open government mechanism by applying an open data mechanism to facilitate public access to monitor the use of the Covid-19 handling budget. Meanwhile, other research focuses more on the financial management of unexpected expenditures, which are not equipped with limits and technical instructions, and the distribution of aid funds that are not equipped with valid data (Basri et al., 2022).

This research focuses on evaluating the suitability of the regulations and budgeting policies of the AAA District Government during the Covid-19 pandemic with applicable regulations. This study assesses the accountability of budgeting policies using a traditional approach, namely ensuring compliance with applicable legal rules (Callahan, 2007 and Kettl, 2018). The AAA District Government's expenditure budget for 2020 and 2021 is around IDR 1.1trillion, that are mainly funded by transfer funds from the central governments. Changes in the regulations and posture of the APBN during the 2020 and 2021 fiscal years affect the many changes in the AAA District Government's budget. This study emphasizes the compliance of the AAA District Government in implementing central government regulations and provisions related to budgeting during 2020 and 2021. This study also analyzes how the AAA District Inspectorate conducts a review of any changes in the preparation of the budget. This is a relatively new topic, as the Covid-19 pandemic has only occurred in Indonesia since 2020 and has impacted not only health but also social and economic life.

## **2. LITERATURE REVIEW**

### **2.1. ACCOUNTABILITY**

Public service is an activity or series of activities fulfilling service needs under statutory regulations for every citizen and resident of goods, services, and administrative services provided by public service providers (Public Service Law 2009). Decision-makers in public sector organizations need to build public trust in public services that are carried out in line with the expectations and demands of the community for increasingly quality public services. Therefore, we need a concept of good governance.

One of the principles of good governance is accountability. Good governance cannot happen without the government being accountable to the people. Dubnick (2005) states that accountability has traditionally been regarded as a means used to control and direct administrative behavior by requiring accountability to some external authority. Kettl (2018) states that accountability is focused on three major issues, namely the search for legal boundaries to limit and channel administrative actions (the rule of law), emerging political challenges, and developing policy problems that can disrupt strategies and tactics to solicit government responsibility in serving the public interest. Accountability can be defined as the enforcement of rules and regulations to guide behavior, and the imposition of sanctions and penalties when rules are violated. This view is referred to as traditional accountability and focuses on compliance and accountability to higher authorities. This broader view of accountability moves beyond formal and legal frameworks and considers the various expectations and competition that public employees face regularly (Callahan, 2007). Government Regulation Number 12 of 2019 concerning local government financial management states that local government financial management is the entire activity that includes planning, budgeting, implementation, administration, reporting, accountability, and supervision of regional finance. This shows that the government's accountability is not only in reporting but also in planning and budgeting. Accountability is a way for the community to know that local government financial management has been carried out correctly.

### **2.2. ACTIVITY REFOCUSING AND BUDGET REALLOCATION**

To control the impact of the Covid-19 virus on various sectors, the government has issued a number of regulations, one of which is Government Regulation in Lieu of Law (Perpu) No. 1 of 2020 concerning the stability of state financial policy and the financial system. This regulation regulates state financial policies and financial system stability to deal with threats that endanger the national economy and financial system stability due to the Covid-19 pandemic. This regulation encourages local governments to prioritize the budget for health sector, social protection, and economic stimulus provision.

Concerning the preparation of local government budgets for the 2021 fiscal year, the Minister of Home Affairs issued Regulation of the Minister of Home Affairs Number 64 of 2020 concerning guidelines for preparing regional revenue and expenditure budgets. The regulation stipulates that in preparing the 2021 budget, local governments allocate an adequate budget for handling the Covid-19 pandemic, prioritizing health, economic impact, and social safety net.

Minister of Finance Regulation (PMK) Number 17/PMK.07/2021 regulates the management of transfers to regions and village funds for 2021 to support the handling of Covid-19. The regulation requires local governments to provide funding support from the General Allocation Fund (Dana Alokasi Umum, DAU) or Revenue Sharing Fund (Dana Bagi Hasil, DBH) of at least 8% for health spending on handling the Covid-19 pandemic and other priority expenditures. The regulation also stipulates that the government direct the use of DAU and DBH of at least 25% (twenty-five percent) to support economic recovery programs related to accelerating the provision of public and economical service facilities and infrastructure. Of the 25% amount, local governments can use the allocation for social protection with a maximum proportion of 20% and community economic empowerment with a maximum of 15%. Regulations related to Regional Incentive Funds (Dana Insentif Daerah, DID) are also stipulated in PMK Number 17/PMK.07/2021. In the regulation, the use of DID by local governments is intended education sector, health sector, strengthening the regional economy, and social protection.

These changes in local government budgeting certainly require monitoring to ensure accountability. The Financial and Development Supervisory Agency (Badan Pengawasan Keuangan dan Pembangunan, BPKP) then issued Circular Letter Number SE-5/K/D2/2020, which regulates the procedures for reviewing the refocusing and reallocation of budgets by regional governments. The review includes the process of identification, analysis, and evaluation, as well as documentation of adequate information to achieve the objectives of the review. This is to ensure that (1) the budget revision procedure refers to the applicable regulations, (2) the proposed new activities support accelerating the handling of Covid-19, and (3) the proposed activities resulting from the refocusing also address the community's economic impact.

### **3. RESEARCH METHODS**

The method used in this research is a qualitative research method by means of a case study. This study allows researchers to collect and analyze data by interviewing related parties and documenting the main points so that they can explain the budgeting policies taken by the local government during the Covid-19 pandemic. The instruments used in the study were document analysis, questionnaires, and interviews. Document analysis is accomplished by comparing the documentation archive with existing regulations sourced from primary and secondary data.

To analyze the basic suitability of changes to local government budgeting policies and the suitability of their contents, the researchers compared the basic changes to the Regional Government Work Plan (Rencana Kerja Pemerintah Daerah, RKPD) and General Budget Policy-Priority and Temporary Budget Ceiling (Kebijakan Umum Anggaran – Prioritas dan Plafon Anggaran Sementara, KUA PPAS) with regulations related to refocusing and reallocation. Researchers compared the details in the APBD with the local government's internal policies in the form of RKPD and KUA PPAS and central government regulations. Comparative analysis with central government regulations, especially regarding the proportion of spending rationalization for handling Covid-19, allocation of regional incentive funds, and allocation of grant funds.

To analyze the review process for changes in budgeting, researchers need the Inspectorate's review report document and review procedures guidelines. The Inspectorate's review report was obtained from primary data belonging to the AAA District Inspectorate. Meanwhile, the review procedure guidelines are based on Circular Letter of the Head of BPKP Number SE-5/K/D2/2020 concerning procedures for reviewing activities refocusing and budget reallocation.

The results of this interpretation are then informed to the respondents through structured interviews. The aim is to ensure that the interpretation obtained is the same as the statement submitted by the respondent. Respondents to this questionnaire are heads of planning divisions in 25 regional work units in AAA District. Questionnaire questions were made by considering the accountability theory of Callahan (2007) and Kettl (2018). The researcher also interviewed two employees in AAA District, namely the Inspector and Head of the Budget Division of BPPKAD. These employees are directly involved in preparing the budget and its amendments so that researchers can dig deeper into the information. Lastly, the researcher concludes on the content submitted by the respondents, determines the theme of the topic of discussion, and provides recommendations.

#### **4. ORGANIZATION PROFILE**

The AAA District Government is one of the regencies on the island of Sumatra, with an area of ± 3,176 km. The realization of the AAA District Government's revenue and expenditure in the 2020 Fiscal Year amounted to IDR 1.137 trillion and IDR 1.023 trillion, respectively. The realization of expenditure consisted of operating expenses of IDR 888 billion, capital expenditures of IDR 133.6 billion, and unexpected expenditures of IDR 1.4 billion. For the 2021 Fiscal Year, the budgeted revenue is IDR 1.15 trillion, and expenditure is IDR 1.13 trillion

## **5. RESULT AND DISCUSSION**

### **5.1 1. AAA DISTRICT GOVERNMENT REGULATIONS AND BUDGETING POLICY DURING THE COVID-19 PANDEMIC**

The initial process of changing the 2020 RKPD at the AAA District Government has referred to Law Number 23 of 2014 concerning Regional Government. Article 264 paragraph (5) states that the Regional Government Work Plan document can be changed if, based on the results of control and evaluation, it is not aligned with developments, circumstances, or adjustments to policies set by the Central Government. Regulations related to the handling of the Covid-19 pandemic, such as Law Number 2 of 2020, encourage local governments to adjust revenue targets, refocus and reallocate expenditures, as well as financing so that regulations related to regional planning and budgeting need to be changed.

The AAA District Government directs the 2020 regional revenue policy towards the relaxation of regional taxes and levies and optimizing central government transfer funds. So far, the average regional income for AAA District comes from Regional Original Revenue (12.25%), Transfer Revenue (71.75%), and Other Legitimate Income (16%). From this percentage, it can be seen that Transfer Revenue from the central government is the largest source of revenue for AAA District. Changes in the state budget posture and the refocusing carried out by the central government affect the allocation of Revenue Sharing Funds, General Allocation Funds, Special Allocation Funds, Regional Incentive Funds, and the transfer of Village Funds to the regions which also have an impact on AAA District revenues. In the 2020 Revised RKPD, the AAA District Government made adjustments to the regional revenue targets in the APBD through adjustments to transfer revenues to the regions and the Village Fund. Target adjustments were also made to Regional Original Revenue by re-calculation of potential regional taxes and levies due to relaxation policies and macro assumptions that could affect the target of regional tax revenues and regional levies as a result of declining economic activity. This policy is in accordance with the mechanism regulated in the Joint Decree of the Minister of Home Affairs and the Minister of Finance Number 119/2813/SJ//177/KMK.07/2020, namely by adjusting transfer income to the regions and adjusting original regional income by considering regional potential and macro assumptions.

The AAA District Government's 2020 regional spending adjustment policy has taken into account the conditions of the Covid-19 pandemic. There is one additional point in the policy direction, namely the provision of stimulus for people who are economically affected by the pandemic. The policy direction is carried out using a social safety net pattern, providing incentives for underprivileged families, regional health insurance, and providing educational scholarships to underprivileged students.

In the KUA-PPAS, the AAA District Government has directed spending policies on budget rationalization and efficiency in order to reduce unproductive regional spending, both from direct and indirect expenditures, as well as formulating several important priorities for handling the impact of the Covid-19 pandemic. In terms of



policy direction and spending priorities, this is in accordance with the Joint Decree of the Minister of Home Affairs and the Minister of Finance Number 119/2813/SJ//177/KMK.07/2020. However, there are still points from the joint decision that have not been determined in the AAA District's spending policies. In both the RKPD and KUA PPAS documents, the AAA District Government has not set a percentage of the rationalization of goods and services expenditures and capital expenditures of at least 50%.

The planning and budgeting policies of the AAA Government in 2021 are not much different from the policies in 2020. The policy for adjusting the 2020 regional revenue targets follows the mechanism stipulated in the Joint Decree of the Minister of Home Affairs and the Minister of Finance Number 119/2813/SJ/ and 177/KMK.07/2020, namely by adjusting transfer income to the region and adjusting original regional income by considering regional potential and macro assumptions. The policy for adjusting regional expenditures in 2021 is also still taking into account the conditions of the Covid-19 pandemic by being directed at spending on the health sector, such as preparations for the implementation of the Covid-19 vaccination and economic recovery and strengthening MSMEs. The spending policy has allocated a minimum of 8% of the DAU to provide support for health spending for handling Covid-19 and the allocation of Regional Incentive Funds (Dana Insentif Daerah, DID) for handling the impact of Covid-19 in the form of spending on health, social protection, education, and strengthening the regional economy. However, the spending policy has not yet fully regulated the percentage of DID usage of at least 30% for the health sector and the General Transfer Fund of at least 25% for economic recovery programs as stipulated in Minister of Finance Regulation No. 17/PMK.07/2021.

In making changes in 2020 and 2021, the AAA District Government has considered an increase/decrease on the income side to determine the amount of expenditure allocation so that the deficit that occurs is relatively stable. This is in accordance with the Joint Decrees of the Minister of Home Affairs and the Minister of Finance Number 119/2813/SJ and 177/KMK.07/2020, which states that the increase in total spending is adjusted to the increase in income so that the deficit is relatively stable and not larger than the previous year's SiLPA.

The increase or decrease on the spending side encourages changes in the amount of budget allocation for handling the Covid-19 pandemic. The proportion of spending for handling Covid-19 allocated by the AAA District Government in the latest budget translation change was  $\pm 7.4\%$  of the total expenditure of Rp. 1.27 trillion or Rp. 93.6 billion.

The budget allocation for handling Covid-19 by the AAA District Government is aimed at four things, namely handling health, handling economic impacts, social safety nets, and economic recovery. This is in accordance with the Joint Decree of the Minister of Home Affairs and the Minister of Finance Number 119/2813/SJ and 177/KMK.07/2020, which regulates the adjustment of the income and expenditure budget for spending on handling the Covid-19 pandemic. The allocation is also in line with sensitive policies in the Changes to the RKPD and KUA PPAS 2020 for AAA

District, namely policies to control the spread of Covid-19 through strengthening the health sector, policies to provide a stimulus for economically vulnerable communities, and policies to provide a financial stimulus for MSMEs. The largest allocation of the Covid-19 handling budget is intended for health care of 53.79%.

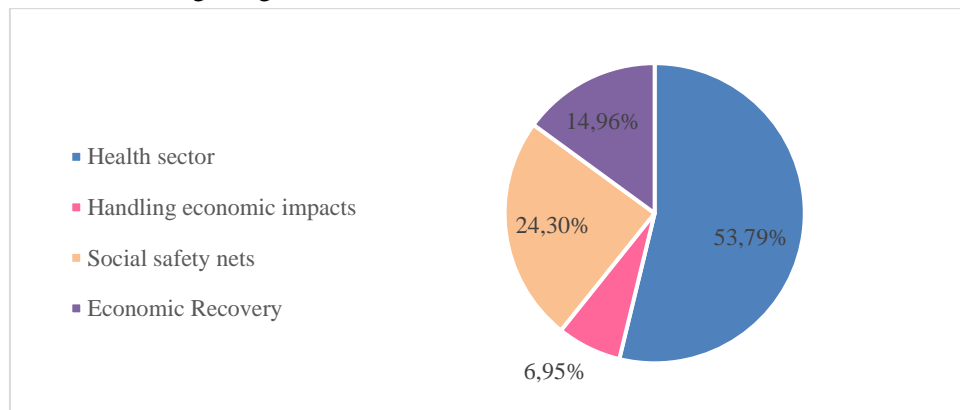


Figure 1. Budget Allocation for Handling Covid-19 in 2020

The budget allocation for handling Covid-19 in AAA Government is derived from local revenue and transfer funds from the central and provincial governments, one of which is DID. The Ministry of Finance issued PMK Number 19/PMK.07/2020 of 2020, which instructs local governments to prioritize the use of DID for Covid-19 prevention and handling activities. In the third budget translation change in 2020, the AAA Government changed the DID allocation according to the regulation. The DID budget allocation for Covid-19 prevention and handling activities becomes 95.27%. The addition of DID in July 2020 has also been allocated by the AAA Government following PMK Number 87/PMK.07/2020 of 2020 to support economic recovery in the region, especially small industries, micro, small and medium enterprises, as well as social assistance.

In October 2020, through the Ministry of Tourism and Creative Economy, the central government designated 101 regencies/cities as recipients of tourism grants, one of which is AAA District. The AAA Government received a tourism grant of IDR 1.24 billion, which was then allocated for tourism development and grants to business actors. The Ministry of Tourism and Creative Economy through Decree Number KM 704/PL.07.02/MK/2020 stipulates that 70% of the allocation of tourism grant funds will be divided for the hotel and restaurant industry, while local governments will use the remaining 30% for programs to handle economic and social impacts on the tourism sector. When using this calculation, the distribution of the grant funds is as follows.

- a. for the hotel and restaurant industry,  $70\% \times \text{IDR } 1,235,690,000.00 = \text{IDR } 864,983,000.00$ .
- b. for the program to handle the economic impact of  $30\% \times \text{IDR } 1,235,690,000.00 = \text{IDR } 370,707,000.00$ .

The government allocated tourism grants for grant spending to hotels and restaurants of IDR 865million and handling economic impacts of IDR 371million. This

allocation follows the proportion of allocations regulated in Ministerial Decree Number KM 704/PL.07.02/M-K/2020.

The AAA District Government then divided the allocation of 30% of tourism grant funds for the revitalization of facilities and infrastructure and training on Cleanliness, Health, Safety, and Environment Sustainability (CHSE) for tourism business actors. This follows the provisions in Ministerial Decree Number KM 704/PL.07.02/MK/2020, which regulates the allocation of 30% of tourism grant funds for the implementation of the CHSE program in tourism destinations, revitalizing facilities and infrastructure, technical guidance for the CHSE program, as well as supervision of the implementation of health protocols in hotels and restaurants.

Apart from the positive things above, in the process of refocusing and reallocating the budget carried out by the AAA Government, there are still things that are not following the provisions of the Joint Decree of the Minister of Home Affairs and the Minister of Finance Number 119/2813/SJ and Number 177/KMK.07/2020. The decree states that, among other things, regions should rationalize spending on goods and services and capital expenditures of at least 50 percent. Based on the BPK (2020), the rationalization of expenditure on goods and services made in the amendment to the translation of the fourth budget was only 14.3% of the initial ceiling. In the 4th amendment to the translation, capital expenditures that are not for handling Covid-19 increased by 22.10% from the initial ceiling. In the APBD Amendment, expenditures on goods and services and capital expenditures that are not intended for handling Covid-19 increased by 9.82% and 60.27%, respectively, from the initial ceiling. Adjustments for goods and services expenditures and capital expenditures that are not intended for handling Covid-19 are not following the Joint Decrees of the Minister of Home Affairs and the Minister of Finance Number 119/2813/SJ and Number 177/KMK.07/2020. The Head of the BPPKAD Budget Division stated that the reduction in the budget allocation for handling the Covid-19 pandemic was carried out by considering the existence of basic routine expenditure needs that must be met and considering the spread of the pandemic in the low-lying AAA District area.

Further analysis of the AAA District Health Office's budget change implementation document revealed that there were expenditures for handling Covid-19 that did not specify the number of units/people or the unit price based on their needs (in package units). This condition shows that in preparing the budget for several Covid-19 handling activities, the AAA Government does not have a clear basis for calculating needs.

In 2021, the AAA Government allocated spending to handle the Covid pandemic originating from the DID and the General Allocation Fund. In the 1st amendment to the budget translation, the AAA Government has shifted the DID budget so that the DID allocation for the health sector reaches 30%. This translation follows the proportion of DID allocation regulated in PMK Number 17/PMK.07/2021.

The AAA Government has also allocated a General Allocation Fund for health spending for handling Covid-19, social protection, and economic support. This allocation is in line with the budget planning for the 2021 RKPD. The AAA

Government directs sensitive policies for handling Covid-19 to strengthen the health sector, strengthen the social safety net, and encourage the recovery of the business sector affected by Covid-19.

Through PMK 17/PMK.07/2021, the government regulates the allocation of the use of the General Allocation Fund for health spending of at least 8% and economic recovery of at least 25% of the DAU allocation received. For health spending, the AAA District Government has allocated IDR 39.2 billion or 8% of the total DAU allocation received of IDR 490.4 billion. This allocation follows the proportion of allocations stipulated in PMK 17/PMK.07/2021. As for economic recovery spending, the AAA District Government has only allocated Rp 50.1 billion or 10.23% of the total DAU allocation received. This proportion is less than the allocation proportion stipulated in PMK 17/PMK.07/2021. Based on the PMK, the DAU allocation for economic recovery spending is at least Rp122.6 billion.

### **5.1.2. REVIEW MECHANISM IN EVERY BUDGET CHANGE**

Under normal conditions, preparing the APBD and its amendments involves the Regional Head and the Regional Government Budget Team (Tim Anggaran Pemerintah Daerah, TAPD) to discuss policies and verify the budget draft submitted by each regional work unit. The Governor then discusses this draft with the DPRD for further evaluation. However, this process flow cannot run entirely during budget refocusing and reallocation in 2020 and 2021. The budget change process, which is required to be fast-paced, makes discussions with the DPRD or the Governor's evaluation unable to be carried out in every budget change. To ensure accountability for the implementation of refocusing and budget reallocation, it is necessary to have supervision or review from authorized personnel in the local government. BPKP, through Circular Number SE-5/K/D2/2020, then asked the Inspectorate to review the budget's refocusing and reallocation.

In conducting the review, the AAA District Inspectorate has prepared a review plan, which includes the assignment objectives, scope, timeframe, methodology, and provision of resources. The review is carried out by collecting, identifying, and analyzing documents related to budget preparation. The review is mainly conducted to see:

- a. The suitability of the procedure for revising the budget with the applicable laws and regulations.
- b. The suitability of proposed new programs/activities or changes to the budget for programs/activities in the 2020 FY APBD from the results of refocusing are programs/activities that are supportive of accelerating the handling of Covid-19 and supporting the handling of the economic impact of the community.
- c. Compliance in the application of budgeting rules.
- d. Completeness of supporting documents.

The review results are stated in a report to be communicated to the Regent and the Regional Government Budget Team. The steps and criteria for the above review carried

out by the AAA District Inspectorate are in accordance with the Circular Letter of the Financial and Development Supervisory Agency (Badan Pengawasan Keuangan dan Pembangunan, BPKP) Number SE-5/K/D2/2020, which states that the Inspectorate communicates the results of the review to regional leaders.

Further analysis of the review report shows the Inspectorate's conclusion that the budget revision procedure is appropriate, the proposed program/activity has supported the acceleration of handling Covid-19, the implementation of budgeting rules is appropriate and the supporting documents are complete.

However, the results of the 2nd review of the 4th budget amendments showed contradictory results with the results of the BPK audit. The results of the review show that the conformity of the revision procedures and compliance in applying the budgeting rules are appropriate. BPK (2020) found that there was a rationalization of expenditure on goods and services and capital expenditures that were not in accordance with the provisions. The rationalization of expenditure on goods and services made in the amendment to the translation of the 4th budget was only 14.3% of the initial ceiling and capital expenditures that were not for handling Covid-19 actually increased by 22.10% from the initial ceiling. The amount of this rationalization is not in accordance with the Joint Decrees of the Minister of Home Affairs and the Minister of Finance Number 119/2813/SJ and Number 177/KMK.07/2020 which states that one of them is for regions to rationalize spending on goods and services and capital expenditures of at least 50%.

In addition, the AAA District Inspectorate is in reviewing budget changes during 2020 and 2021. The AAA District Inspectorate has just reviewed changes to the 3rd to 6th translations, while changes to the 7th to 9th translations and changes to the translation in 2021 will not be reviewed. As a result of not carrying out the review, there is a budget for handling Covid-19 which does not specify the unit price and the amount needed. In addition, a DAU allocation for economic recovery spending is not in accordance with PMK 17/PMK.07/2021. The proportion of allocations in the 2021 FY APBD is only 10.23%, less than the proportion of allocations stipulated in the provisions of 25% of the total DAU.

## **6. CONCLUSION AND RECOMMENDATION**

In terms of policy formulation related to refocusing and reallocation of the budget, the analysis results show that the AAA District Government has made a policy of revenue and expenditure allocation directed at handling Covid-19 in the form of handling health, social safety nets, and economic recovery. However, the policy has not included all the central government regulations regarding the percentage of expenditure rationalization and allocation for the use of transfer funds from the center for handling Covid-19. In terms of implementing budget refocusing and reallocation, the allocation of revenues and expenditures has been in line with the budgeting policies that have been drawn up. Still, the amount of rationalization of goods and services

expenditures and capital expenditures has not been in accordance with the provisions. The amount of the DAU allocation in 2021 is not yet in accordance with the provisions that require 25% of the DAU to be allocated for economic recovery activities. In addition, several Covid-19 handling activities in 2020 have not been based on a clear calculation of needs.

The AAA District Inspectorate has carried out the review steps regulated by BPKP. However, there are still weaknesses in the review process, including less in-depth reviews and implementing reviews that are not carried out for every change.

To improve the suitability of the budget preparation process with applicable regulations, the recommendation that can be given is the use of an integrated budgeting application system to monitor the orderly allocation of budget use sourced from central transfer funds. In addition, the Inspectorate also needs to review every budget change.

There are some limitations to this study. First, this research was only conducted on one research object, namely the AAA District Government. Second, evaluation of the accountability of local government budgeting policies is only carried out with a traditional approach, namely looking at compliance with applicable regulations.

Further research can add data from a wider research object. Research can be more comprehensive by taking data from several local government agencies at the city/district and provincial levels. Future research can also assess accountability from a broader perspective, such as information disclosure and community involvement in budget policy formulation.

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