

**INFLUENCE OF LEGISLATURE BUDGET
KNOWLEDGE TOWARD THE ROLE OF LOCAL
LEGISLATURE IN LOCAL GOVERNMENT
BUDGET OVERSIGHT**



THESIS

A thesis submitted in partial fulfillment of the
requirement for the degree of Magister Sains

by

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**PROGRAM STUDI MAGISTER AKUNTANSI
FAKULTAS EKONOMI
UNIVERSITAS SEBELAS MARET
SURAKARTA**

2009

CHAPTER I

INTRODUCTION

A. Research Background

Regional autonomy and fiscal decentralization in Indonesia have been evolved to reflect their response to increase the demand in realizing the good governance, where the development and implementation of public sector accounting as a tool to create transparency and public accountability is acknowledged as a matter of urgency. Serving the transparency and accountability to the society need the role of accounting, especially public sector accounting, without accounting it is difficult to achieve that goal. The local government accountability report reflected with the local government reporting in the last budget period. The local government reporting was made by the role of the public sector accounting system.

The Indonesian Act No. 32/2004 about Local Government states that local legislature has three functions: legislation, budget and oversight. This research focus on the role of legislature in the local government budget oversight. Local government budget is the local government annual budget planning that ratified by the local government regulation. The role of parliament as the representative of the society is to encourage the transparency and the accountability of the government governance result.

The role of parliaments in the budget process is being reassessed in the broader context of the strengthening fiscal governance and public finances. Largely neglected in the first stage of economic reform, legislature budget

institutions are being rediscovered as part of a second wave of reform in budget institutions and governmental financial administration that is upgrading the contribution of parliaments in the budget process. Theoretically, it improves the management of public finances by enhancing external scrutiny and enforcing government accountability. Effective and responsible parliaments can help mitigate the risks of excessive executive budgetary discretion by reinforcing the countervailing mechanisms of government accountability and external scrutiny. For instance, recent research on political budget cycles by Saporiti and Jorge (2003) demonstrates that effective checks and balances in the budgetary process curb political budget cycles. Nevertheless, parliaments' role in the governance of

the budget is often subdued and dysfunctional, partly because of executive predominance and because of their deficiencies.

Parliaments' oversight of the budget is hampered by both technical and political factors, as they often lack of the necessary institutional capacities and the individual incentives. The legacy of parliamentary indiscipline in budgetary matters has convinced policymakers, including parliamentarians themselves that centralizing the budget process within the executive and limiting the prerogatives of parliaments tend to improve economic governance and fiscal discipline. The challenge is both to reform and to strengthen parliaments' role in the budget process, promoting budget transparency while furthering fiscal responsibility (Changiano 1996).

There exists considerable controversy as to the proper role of parliaments in the budget process. The debate is marked by pendulum logic, oscillating between concerns over how much budgetary power is too much and how much is too much (Schick 2002). The consensual view holds that fiscal discipline and budget responsibility are best achieved and preserved by centralizing the budget authority in the executive and, within it, under the tight steering of the finance ministry. Centralization can be attained either *de jure* by reforming the organic laws governing governmental financial administration, or *de facto* by delegating legislature budget powers to the executive (Santiso 2005).

Research was conducted by Andriani (2002), conclude that budget knowledge has positive significant influence to budget oversight conducted by legislative assembly. Some research testing about relation between quality of legislative assembly member with its performance among others were conducted by Indradi (2001), Syamsiar (2001) and Sutarnoto (2002). The research result prove that quality of legislative assembly member measured with the

education, knowledge, experience, and membership have an influence on legislature performance one of them is perform at the time of conducting observation function.

Sopannah (2003) proves that legislature budget knowledge has significant influence on the local government budget oversight and also find significant interaction between budget knowledge and the society participation toward the role of legislature in local government budget oversight. Interaction of budget knowledge with the public policy transparency do not have significant influence on the local government budget oversight (Sopannah 2003).

The legislature budget knowledge has significant influence on the local government budget oversight and also find the significant interaction between budget knowledge and society participation to the local government budget oversight. The interaction of the budget knowledge with the public policy transparency has significant influence on the role of legislature in local government budget oversight (Coryanata 2007).

The several research above, making the researcher interesting to test the influence of legislature budget knowledge, the legislature perception on accountability, the legislature perception on society participation, and the legislature perception on public policy transparency in the local government budget oversight. Hopefully that research result will be able strengthening or weakening that relation.

B. Research Problems

Based on the discussion above, the researcher formulating the research problems in the following:

1. Does legislature budget knowledge has influence toward the local government budget oversight?

2. Does legislature perception on public policy transparency affect in the local government budget oversight?
3. Does legislature perception on society participation affect in the local government budget oversight?
4. Does legislature perception on accountability affect in the local government budget oversight.

C. Research Objectives

Based on the research problems, the research was done with the following objectives:

1. To identify whether the legislature budget knowledge has influence in the local government budget oversight.
2. To identify whether legislature perception on public policy transparency has influence in the local government budget oversight.
3. To identify whether legislature perception on society participation has influence in the local government budget oversight.
4. To identify whether legislature perception on accountability has influence in the local government budget oversight.

D. Research Contribution

The researcher hope the result can give contribution to all academicians in the development of public sector accounting literature. Hopefully the result of the research can be used as reference to the next research.

The benefit was expected to the local government development, such as: (1). For the legislature member: improving the role of legislature in budget controlling in realizing good government governance; (2). For the political party: the result can be made as reference at the recruiting member of legislature and the development of party cadre.

E. Writing Systematic

CHAPTER I : INTRODUCTION

This chapter describes the research background, research problem, research objective, research contribution.

CHAPTER II : LITERATURE REVIEW AND HYPOTHESIS

This chapter describes literature review and hypothesis development.

CHAPTER III : RESEARCH METHODOLOGY

This chapter describes the population and sample, variable measurement and operational definition and data analysis method.

CHAPTER IV : RESEARCH RESULT AND ANALYSIS

This chapter describes descriptive analysis of data, reliability test, validity test, classic assumption analysis, research result and hypothesis testing.

CHAPTER IV : CONCLUSION AND SUGGESTION

This chapter describes conclusion, suggestion and limitation

CHAPTER II

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

A. Literature Review

1. The legislature and the budget

In most countries, the legislature is the constitutionally mandated as the institution through the government was held in account of the electorate. In doing so, the legislature can use several means, including the questioning of senior government officials including ministers, the review and confirmation of executive appointments, impeachment and/or the power to dismiss the government, question period, the establishment of parliamentary committees and the formation of commissions of inquiry (Stapenhurst 2004b).

In almost all political systems, the executive has the primary role in developing an annual budget and presenting it to the legislature. The legislature has the right to review, debate, in some cases amend, and approve or reject the spending plan proposed by the executive. Within this broad framework, the actual workings of the budget process vary from nation to nation based on the constitution, laws, legislative rules of procedure, balance of political power, tradition, and expectations of the political actors and the people. The development of a nation's budget is usually the government's single most important activity in any given year. The budget determines who gets what and when, provides funds to implement new initiatives, and often sets policy (Kartiwa 2006).

The executive has the upper hand in the budget process in the most countries, although there is often room for the legislative branch to play an important role. Because of its nationwide importance, political sensitivity, and complexity, establishing the legislature's role in a predictable, transparent, and participatory process for budgeting a nation's financial resources is one of the most critical components of reform, and often one of the most contentious (Heuty and Carlitz 2008).

The role of parliaments in public budgeting varies along the four main phases of the budget cycle. The four main phases of the budget process are:

1. Formulation.
2. Adoption.
3. Execution.
4. Control.

Source: Santiso 2005

While parliaments are usually devoid of powers in the formulation of the budget, which is the exclusive prerogative of the executive, they entrusted with its adoption for the budget to become law. Henceforth, their power to influence the budget largely rests on the scope of their amendment powers and the executive's agenda setting and veto powers. While the executive is responsible for implementing the budget, parliament is responsible for overseeing its execution (Garrett and Adrian 2006).

Legislature oversight of budget execution is contingent on the institutional capacities and political incentives of parliaments to do so. Parliaments are responsible for ensuring that governments held to account for their compliance with the authorized budget and the performance of public expenditure programs. Four sets of variables condition the ability of

parliaments to effectively engage with the budget process: (i) whether parliament is *legally empowered* to intervene in budgeting, (ii) whether it is endowed with the required *technical capacities*, (iii) whether it possesses the *necessary political incentives*, and (iv) whether the *governance environment* is favourable. Meyers (2000) identifies five key institutional features determining the effectiveness of legislature involvement in budgeting, such as:

- a. The legislature's involvement on fiscal planning.
- b. The timing and duration of the budget adoption process.
- c. The extent of legislature direction in the budget and the means of legislature oversight in budget implementation.
- d. The expansion of budgetary expertise within the parliament.
- e. The internal coordination of legislature budgeting between committees.

2. Budget oversight and control

Constitutions give parliaments an important role in the oversight of the execution of the budget, the scrutiny of budget re-allocations, and the ex post review of public accounts. In practice, however, legislature oversight of budget execution is still embryonic, undermining its contribution to concurrent budget accountability. Legislatures exercise only a limited monitoring of the government's compliance with formal budget rules and procedures as set in the budget law. They are even more equipped to monitor the performance of public spending and enforce results based budgeting (Santiso 2005).

Parliament possesses another potentially powerful instrument to control budget execution and enforce accountability: the annual certification of public accounts. However, it has seldom used this tool effectively. Institutional and technical constraints partly explain the effectiveness

of the legislature review of public accounts, in most cases performed by a specialized legislature committee (the public accounts committee) or a sub committee of the budget and finance committee. Based on the audit of public accounts performed by the general audit office, the public accounts committee emits an opinion to the plenary, which decides whether to discharge government for having purposefully accomplished the mandate contained in the approved budget (Heuty and Carlitz 2008).

In practice, unless the allegations of fraud and corruption are sufficiently strong to warrant the establishment of a special commission of inquiry, the likely consequences of doing so are often unclear. Often, significant delays in the certification process affect its ultimate effectiveness as a mechanism of accountability. More fundamentally, the political incentive of legislatures is to bargain over the terms of the following year's budget in order to obtain benefits for their constituency, rather than assess the performance of past years' budget (Pelizzo and Stapenhurst 2004).

Legislature oversight is nowhere more important than over the budget. The role of the legislature in most countries is to scrutinize, authorize revenues and expenditures also to ensure the proper implementation of the national budget. How governance affects the well-being of the populace depends on tax levels, spending patterns, the impact of policies on investment and on interest rates, as well as on the ways that domestic priorities and choices interact with international economic and financial trends (Stapenhurst 2004b)

Since that time, the power of the purse function has been played by legislatures around the world as a means to expand their democratic advantage on behalf of citizens. There is great variation, however, in the nature and influence of legislature engagement. Some legislatures effectively write the budget; others tend to approve executive budget proposals without changes.

In some legislatures, most of the debate takes place in plenary, on the floor of the house, elsewhere, the emphasis is on review in committee. Some legislatures fragment scrutiny of the budget across several committees while others have established a pre-eminent budget (or finance) committee that oversees the process. Ultimately, however, the final vote of approval on “the budget act” takes place in the chamber (Wehner and Byanyima 2000).

It is useful to conceptualize the overall budget system as a continuing and integrated budget cycle process, the legislatures playing a key role at different stages of the cycle. This cycle includes many institutions that among others form a country’s governance system, namely, the executive, the public service, civil society and the legislature itself. Certain facets of the government budget process, managerial reporting and internal audit that are primary the responsibility of the executive and the public service. Meanwhile, for the overall budget cycle to work in a transparent, open and accountable way within the national economy, the various functions outside the circle budget planning, revenue/expenditure allocation, financial reporting, external audit and evaluation and public accounting should involve significant interaction with civil society groups, businesses and the public at large. It is here that legislature have a key role to play (Langdon 1999). It is useful to consider the role of the legislature both ex-post and ex-ante in the budget process (Stapenhurst 2004a).

B. Hypothesis Development

1. Legislature budget knowledge and the budget oversight

Yudoyono (2000) states that local legislature will do the duty well if the leader and the members have ideal qualification, it means that the local legislature understanding the right, the

duty, the authority and they can allocate the authority well also supported by the education background and the experiences in the politic and the governance system.

The quality of legislature measured with the education, knowledge, experience, and membership have positive influence to legislature performance which one of them is the oversight performance (Sopannah 2003).

Local legislature will be able use correct rights, executing duty and its obligation effectively and also place their proposional position if every member has enough technical conception knowledge in the governance management, public policy, and others. Knowledge required in budget oversight. If the legislature has the budget knowledge, thus the legislature member can detect the existence of extravagance and budget leakage (Coryanata 2007).

Legislature's capacities and professionalism were determined by the ability of bargaining position in product of policy. Legislature must owned knowledge, skill and experience in compiling various law or rules, besides legislature skill in politics to deputize the constituents and its party.

H₁: Legislature budget knowledge has positive influence in the local government budget oversight.

2. Transparency and the budget oversight

Transparency helps societies to enhance the government positive contributions while also helping to resolve the problems inherent in government activity. Information about policy is an input for political control of the public sector, for day-to-day responses to policy (e.g. for complying with law or making economic adjustments to policy incentives such as taxes) and for

oversight and evaluation. It is therefore an essential component of appropriate public governance (Stapenhurst 2004a).

Transparency guarantees involve rights to certain types of information. These rights help prevent potential abuses arising from information asymmetry and permit individuals or organizations to respond to the information through political, civil or economic activity. The international investment community is concerned with a small, but important part of this overall framework of rights: the rights of international investors to certain kinds of policy information. Its activities are part of and complementary to larger efforts to define these rights, enhance transparency and improve public governance. Public sector transparency results from policies, institutions, and practices that channel information in ways that improve understanding of public policy, enhance the effectiveness of political processes and reduce policy uncertainty. It is an instrument for achieving other goals such as raising general welfare and promoting efficient and effective governments (Putriyanti 2007).

Garrett and Adrian (2006) mention that there are degrees of openness in the budget process, varying across different areas of decision-making. Generally, the budget process is an open one, particularly when it reaches congress. However, players can find ways to bargain in private through informal interactions or negotiations with a subgroup of relevant decision makers that result in a deal later made public.

Coryanata (2007) states that transparency is formed from free information current base, all government process, institutions and information require to be accessed by interested parties, and available information have to be adequate also transparency represents one of the principles of good governance, understandable and can be monitored. Budget compiled by executive told transparent if fulfilling some following criteria:

- a. There are announcement of budget policy.
- b. The budget document is available and easy to access.
- c. The correct responsibility reporting is available on time.
- d. The society voice is accommodating.
- e. There is information system to public.

Interaction between legislature budget knowledge and public policy transparency influence positively significant to the local government budget oversight (Werimon, Ghozali and Nazir 2007)

According to that above, the writer assume if the public policy is more transparent in the budget oversight so the oversight that done by legislature will progressively mount too because the society also include in the public policy oversight.

H₂: Legislature perception on public policy transparency has positive influence in the local government budget oversight.

3. Society participation and the budget oversight

The changes of budget paradigm in reform era claim the existence of society participation in all budget cycle to create the accountability in fulfilling the public needs (Rubin 1996).

Achmadi (2002) mentions that society participation represents the successful key in autonomous oversight area. This happen since society participation concerns of observation and aspiration aspect, the observation here includes the legislature observation to executive. Since the launch of the decentralization process in 1999, the central government has efforts through

regulations and other actions, to encourage a participatory approach in community and regional planning. Regulation and other government actions have opened up “entry points” for citizens to get involved in local governance.

The accountability mechanisms available to anyone legislature depends upon the constitutional provisions regarding the specific powers of the legislature, the institutional arrangements between the different branches of government and the division of authority between national, regional and local government (Dubrow 1999). Committee hearings and hearings in plenary settings and commissions of inquiry are more common in the legislatures of parliamentary systems while commissions of inquiry are used in presidential systems (Pelizzo and Stapenhurst 2004).

Society involvement in advocating budget influences the legislature role in budget oversight (Coryanata 2007).

As mentioned above, these participatory entry points can be through the Musrenbang. Local governments have supported these measures by directly implementing participatory practices such as public hearings and participatory planning. The society participation influence the local government budget oversight, society participation expected will improve the budget oversight function.

H₃: Legislature perception on society participation has positive influence in the local government budget oversight.

4. Accountability and the budget oversight

Accountability is the working principle of the parliamentary system and a process whose effective functioning is essential to our democratic government. Elected representatives must be

called to account for their exercise of delegated authority. Being “called to account” would appear to include explaining to citizens at least the following:

- (a) How and for what purposes resources were acquired (e.g., by taxation) and used, presumably, for their benefit.
- (b) What processes or means were used in exercising the delegated authority.
- (c) What outcomes or at least results were achieved, and how these relate to the authority delegated to these representatives (Stanbury 2003).

Persons who are authorized to act or who exercise authority are to be held “responsible” for their actions within the sphere of authority delegated to them. Authority is delegate in the principal-agent relationship. One cannot delegate responsibility (and hence accountability) even if the authority to act has been delegated. Thus, elected representatives are responsible for their use of authority delegated to them by citizens. An individual who exercises powers while acting in the discharge of official functions is responsible for the proper exercise of the powers or duties assigned. Responsible officials include supervisors and delegates or agents who act on behalf of a superior (Changiano 1996).

The accountability framework developed by Priest and Stanbury (1999) contains six main elements, which are briefly summarized as follows:

- a. The principal delegates authority to the agent to act on behalf of the principal.
- b. The principal may well provide instructions to the agent as to how to carry out his/her duties.
- c. The principal may specify criteria against which the performance of the agent will be assessed.

- d. The principal obtains information about the agent's actions (performance) from the agent and/or from other sources.
- e. The principal assesses the performance of the agent in light of the tasks delegated to the agent.
- f. The principal rewards or sanctions the agent accordingly, and thus closes the "accountability loop."

Parliamentary oversight helps enforce political accountability. Nevertheless, effective and responsible legislature budgeting is inherently difficult to achieve and maintain (Wildavsky and Caiden 2000; Schick 1990). By providing a check on executive discretion, legislature budget oversight should principally enhance the transparency of public accounts and the integrity of public finances. Together with another external oversight, agencies such as general audit offices, parliaments help ensure that the government is held to account for the manner in which it administers public finances (Pelizzo and Stapenhurst 2004). Legislature oversight help redress the information asymmetries between the state and society by increasing the scrutiny of the budget, opening up the budget to public debate and social control. Indeed, civil society interaction with the budget is most effective during the review and adoption of the budget in parliament. Legislature scrutiny of the budget tends to allow for greater debate on the facts, analysis of underlying policy choices and discussion of budgetary allocations.

Interaction between legislature budget knowledge and accountability influence positively significant to the local government budget oversight (Coryanata 2007)

Fulfilling the accountability function of the local legislature member as principals, thus the legislature member must increase the function of local government budget oversight.

H₄: Legislature perception on accountability has positive influence in the local government budget oversight.

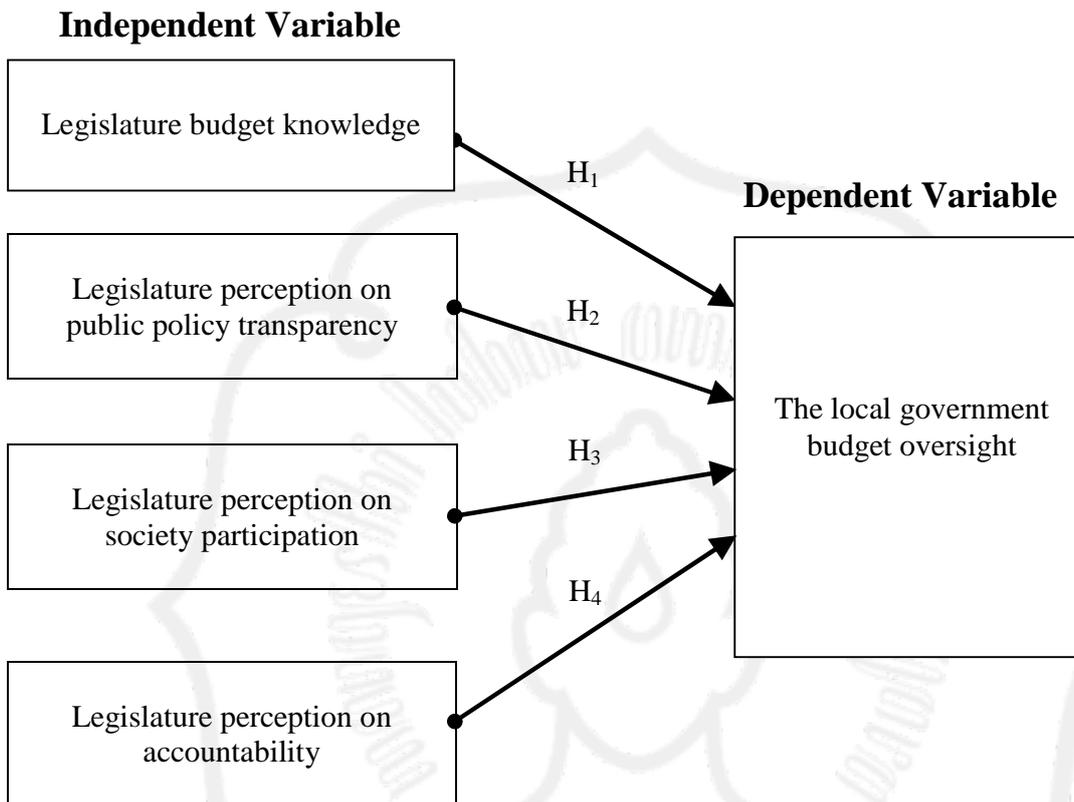


Figure 1

Conceptual Scheme

CHAPTER III

RESEARCH METHODOLOGY

A. Population and Sample

Population in this research is the local legislature members (from all of the commission) in the eks Karesidenan Surakarta (Surakarta, Boyolali, Sukoharjo, Karanganyar, Wonogiri, Sragen, and Klaten). The population is as follow:

Table 1
The population of the legislature member in eks karesidenan Surakarta

| No. | Local Legislature | The Total Member (People) |
|--------------|------------------------|---------------------------|
| 1 | Surakarta Municipality | 40 |
| 2 | Karanganyar Regency | 45 |
| 3 | Sragen Regency | 45 |
| 4 | Wonogiri Regency | 45 |
| 5 | Boyolali Regency | 45 |
| 6 | Sukoharjo Regency | 45 |
| 7 | Klaten Regency | 42 |
| TOTAL | | 307 |

Data obtained by listing question, the questionnaire send directly to the respondent for the legislature member in the eks Karesidenan Surakarta. In every packet of questionnaire consists of two parts that have to answer by the respondent. The first part contains the question about respondent demographic data including gender, age, and education background and commission origin. The second part is the statements that related with the legislature budget knowledge, legislature perception on society participation, legislature perception on public policy transparency, legislature perception on accountability and the role of legislature in the local government budget oversight.

The total of the legislature member in the eks Karesidenan Surakarta is 307 member, the error sampling is 10% and the response rate is 30% thus the total of the questionnaire that distributed is 251 questionnaire in eks Karesidenan Surakarta (It's based on the Solvin Formula) (Appendix 2). The collecting data for this research start from the date: April 22, 2009.

The sample of this research gets from the questionnaire that comeback to the writer and that questionnaire is free from the outlier in the screening of normality data.

B. Variable Measurement and Operational Definition

Each variable measured with the likert scale model. The likert scale is designed to examine how strongly subjects agree or disagree with statements on a 5-point scale with the following anchors: 5(TA=Totally Agree), 4(A=Agree), 3(N=Neutral), 2(DA=Disagree), and 1(TDA=Totally (dis)agree). The responses over a number of items tapping a particular concept or variable are summated for every respondent. This is an interval scale and the differences in the responses between any two points on the scale remain the same (Sekaran 2003).

The reason why the researcher uses 5-point scale in this research is that the research indicates that a 5-point scale is just as good as any and that an increase from 5 to 7 or 9 points on a scale does not improve the reliability of the ratings. It is suitable with Elmore and Begg (1975) in Sekaran (2003).

This research consists of the independent variable and dependent variable with the following measurement and definition:

1. Independent variable

Independent variable according to Sekaran (2000) is one of the variables that influence variable dependent, it can be influence positively and negatively.

a. Legislature budget knowledge

Legislature budget knowledge is the ability of the legislature in compiling the budget, detection and identification toward the inefficiency, and failing of the budget (Coryanata 2007).

Government act (PP No.24/2005 about Government Accounting Standard) states that local government budget is the annual financial planning of the local government that approve by the local legislature member.

According to Suprasto (2006) local government budget must oriented to the public interest:

1. Local government budget must be managed with the better work and less cost.
2. Local government budget must give transparency and accountability rationally for the overall budget cycle.
3. Local budget must be managed with the performance oriented, for all of the expense and the income.
4. Local government budget must give the professionalism in the every organization.
5. Local government budget can give the facility to its entire executor to maximize its fund management by pay attention in value for money principle.

b. Legislature perception on society participation

Legislature perception on society participation is the legislature perception in every budget process activity that done by local legislature starting from the compiling purposes, strategic implemented, priority and budget advocation, and society also involved in the budget oversight by the process development oversight (Werimon, Ghozali and Nazir 2007).

According to Sopianah (2003) the indicators were used to measure society participation variables are as follows:

1. Society entangling to give input in the compiling purposes, strategic implemented and priority in the local government budget.

2. Suggestion and critic from the society toward the priority and the budget planning process.
3. Society entangling in the budget compiling process.
4. Society entangling in the consultation and confirmation between the legislature member and local government related with the local government budget compilation.
5. Society entangling in the local government budget advocacy.
6. The critic and suggestion of the society as the advice to revise the local government budget.
7. Socialization process to the society if there is policy changing related with local government budget

c. Legislature perception on public policy transparency

Legislature perception on public policy transparency is the legislature perception about openness in budget that can accessed by the society easily. Public policy represents the action conducted by government and the decision having a certain purpose (Werimon, Ghozali and Nazir 2007).

The indicators were used to measure public policy transparency is as follows:

1. There are announcement of budget policy.
2. The budget document is available and easy to access.
3. The correct responsibility reporting is available on time.
4. The society voice is accommodating.
5. There is information system to public.

Source: (Werimon, Ghozali and Nazir 2007)

d. Legislature perception on accountability

Legislature perception on accountability is the legislature member perception about the duty of the legislature to give the accountability report to the society and the society has the right to ask the accountability report about budget expenditure (Coryanata 2007).

Local government as the executive must disclose financial reporting annually, it is to represent the accountability form to the stakeholders (society, non-government organization (NGO), legislature, etc). The accountability form of the local government budget is financial reporting. The kind and the form of the financial reporting are like the rule that stated in the PP No. 24/2005 about Government Accounting Standard. The financial reporting consists of budget realization report, balance sheet, cash flow report and notes of financial reporting.

The financial reporting is audited by the auditor from Monetary Board of Examiners and then the audit result report given to legislature. Legislature and the executive will analyze the audit result report together to get the solution if there is any problem in that financial reporting.

2. Dependent variable

The dependent variable in this research is local government budget oversight. Local government budget oversight is the oversight of the local government budget that done by the local legislature including oversight in the compiling, validity, realization, and responsibility in the local government budget (Coryanata 2007).

The indicators were used to measure local government budget oversight is as follows:

1. The legislature involve in compiling local government budget and public policy of local government budget.

2. The compilation process on political analysis execution of local government budget.
3. The legislature involve in the validity of local government budget.
4. The local government budget can able to explain to the society.
5. Legislature confidence that local government budget is transparent.
6. The role of legislature in the local government budget oversight.
7. Evaluation of the legislature toward the accountability report (financial reporting).
8. Evaluation of the legislature toward the factors that support the existence of the local government budget revision.
9. Enquiry by the legislature of the accountability report (financial reporting) of local government budget that submitted by the local mayor or regent.
10. Follow up from the legislature if there is awkwardness in the accountability report (financial reporting) of the local government budget.

Source: Sopanah (2003)

From all of the indicators above, the researcher then compile the statements in the questionnaire. Moreover, the researcher spread the questionnaire directly to the respondent. All of the data from the independent and dependent variables is used 5-point scale 1 until 5 (likert scale method). The researcher counting the result for every respondent and then was continued in testing the descriptive statistic, reliability and validity.

C. Data Analysis Method

The data Analysis in this research conducted: descriptive statistic, validity and reliability test and hypothesis testing. The testing conducted by using program aid of SPSS 16.

1. Descriptive statistic

Descriptive statistic consists of the measurement of mean, median, standard deviation, maximum, and minimum value from each data sample. This analysis uses to give the picture of concerning distribution and the data sample.

2. Validity and reliability test

Research variable measurement using questionnaire data must use quality examination of data to obtain the test of validity and reliability. This examination aims to know whether the instrument used is valid and reliable or not. This is done since the truth of data analysis assesses the quality of research result.

The aim of validity test is to measure the quality of instrument used and to show the storey, level of validity of the instrument, and how well a concept can be defined by a size of measurement (Ghozali 2001). Instrument can be categorized as valid if instrument can measure what the researcher want and show the accurate data. Examination conducted by using factor analysis. This research used Confirmatory Factor Analysis (CFA) test to measure validity test. Confirmatory Factor Analysis (CFA) test used to test whether the construct have undimensionality or the indicators can confirm the construct or variable. Data is able to be conducted by factor analysis if the Kaiser's MSA is above 0.5 (Ghozali 2001).

Reliability test was conducted by calculating Cronbach Alpha (α) to test the eligibility to consistency of all used scale. Instrument told reliable if the Cronbach Alpha (α) more than 0.6 this is based on the Nunnally criteria (Ghozali 2001).

3. Hypothesis testing.

a. Multiple Regression test

The hypothesis testing in this research uses multiple regression tests. Data analysis will use program: SPSS 16. Hypothesis testing done after the model used free from the classic assumption collision, in order to interpret the correct result.

The Regression equation is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \quad (1)$$

While:

| | | |
|--------------------------------------|---|--|
| Y | = | The local government budget oversight |
| α | = | Constanta |
| $\beta_1, \beta_2, \beta_3, \beta_4$ | = | Regression coefficient |
| X_1 | = | Legislature budget knowledge |
| X_2 | = | Legislature perception on public policy transparency |
| X_3 | = | Legislature perception on society participation |
| X_4 | = | Legislature perception on accountability |
| e | = | Error |

Before the multiple regression tests, the examination must use classical assumption test to ensure the validity of research data, not bias, consistent, and further it can estimate the efficient regression coefficient (Sekaran 2003).

b. Classical assumption test

1). Multicollinierity test

The goal of multicollinierity test is to test whether the regression model found the correlation between the independent variables. The good regression model must not have correlation between the independent variables. If the independent variables have correlation, so the variables are not orthogonal.

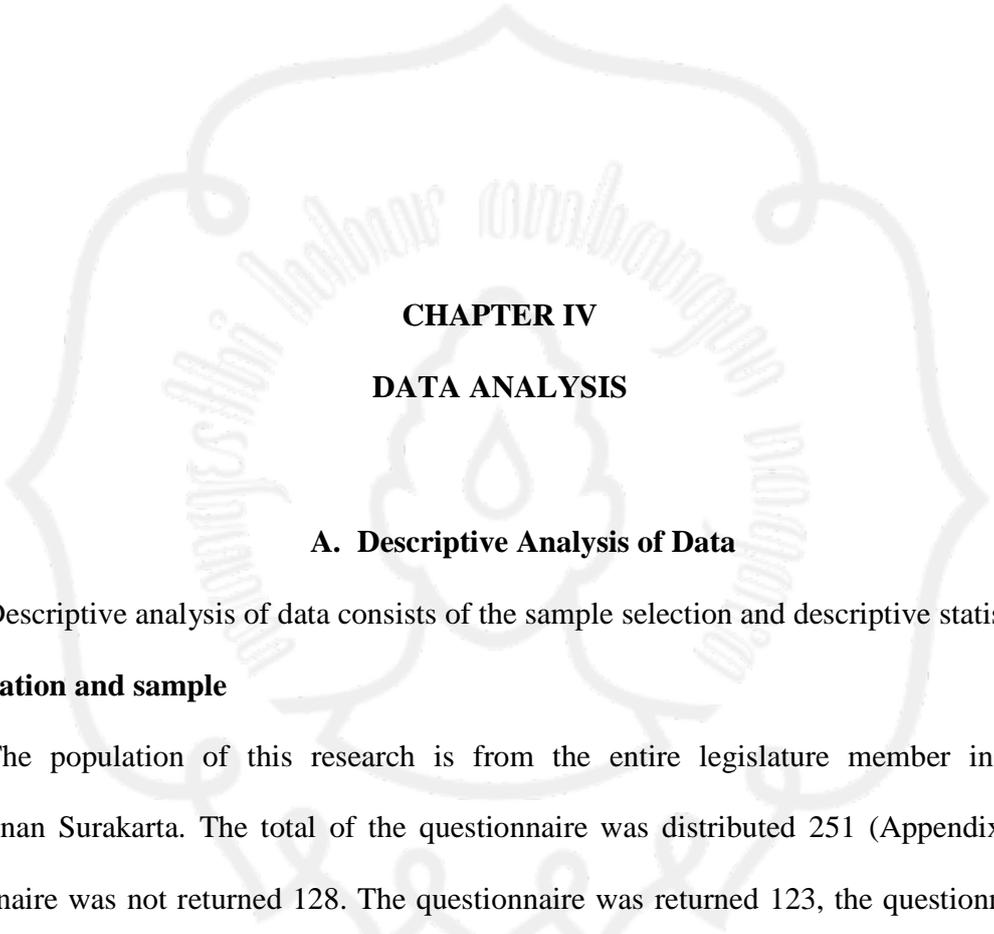
2). Heteroskedasticity test

The goal of heteroskedasticity test is to test whether in the regression model there is inequality variance from residual of the certain research to another. If there is fix variance of residual of the certain research to another, it called homoskedasticity. The good regression model is if there is homoskedasticity. If the graph scarterplots result show that dot disseminate at random and also spread over on above and also under number 0 (zero) at axis of the ordinate, this matter inferential that the heteroskedasticity is not happened at the regression model (Ghozali 2001).

3). Normality test

The goal of Normality test is to test whether the regression model, disturbing variable or residual normally distributed.

Researcher uses the analysis of statistic One-Sample Kolmogorov-Sminorv test with the significant level 0.05, thus the data of residual is normally distributed. If the Histogram and Normal P-P Plot of Regression Standardized Residual shows that histogram graphic gives the normal pattern distribution and the normal plot graphic shows that the dot spread around the diagonal line and follow the diagonal line. It means that the histogram graphic show the normal plot distribution thus the regression model is fulfill the normality assumption (Ghozali 2001).



CHAPTER IV

DATA ANALYSIS

A. Descriptive Analysis of Data

Descriptive analysis of data consists of the sample selection and descriptive statistic.

1. Population and sample

The population of this research is from the entire legislature member in the eks Karesidenan Surakarta. The total of the questionnaire was distributed 251 (Appendix 2). The questionnaire was not returned 128. The questionnaire was returned 123, the questionnaire was not complete 5, and the questionnaire was out of order 11. The questionnaire was processed 107, but in the screening to normality data, there are 9 respondent detected by the outlier of hence have been released, thus that the total respondent was used 98, the response rate is 42.6%. This research was held in more or less three month started from April 22, 2009. The total respondent that was participated in the research is as follow:

a. Respondent based on the region

The detail of the respondent based on the source of region are: Respondent from Surakarta municipality that participate is 15 respondent (14%), Karanganyar regency is 25 respondent (23%), Sragen regency is 13 respondent (12%), Wonogiri regency is 17 respondent (16%), Boyolali regency is 12 respondent (11%), Sukoharjo regency is 11 respondent (10%), Klaten regency is 14 respondent (13%). Thus, the respondent that gives the most participation is from Karanganyar regency (25 respondents).

b. Respondent based on the gender, age, education background and commission source

The total respondent based on the gender, age, education background and commission source category is summarized in the table below:

Table 2
Respondent Demographic Data

| NO | Explanation | The total | Percentage | |
|----|----------------------|--------------|------------|-----|
| 1. | Gender | Male | 82 | 84% |
| | | Female | 16 | 16% |
| 2. | Age (years old) | 21-35 | 6 | 6% |
| | | 36-45 | 60 | 61% |
| | | More than 45 | 32 | 33% |
| 3. | Education background | Economic | 41 | 42% |
| | | Non economic | 57 | 58% |
| 4. | Commission source | I | 36 | 37% |
| | | II | 24 | 24% |
| | | III | 22 | 22% |
| | | IV | 16 | 16% |

The total of respondent based on gender, age, education background and commission source are the total of male that participate is 82 people, the female that participate is 16 people. The total of respondent in the age 21 until 35 years old is 6 people, the respondent from the age 36 until 45 years old is 60 people and from the age more than 45 years old is 32 people, the respondent from economic background is 41 people and the respondent from non economic

background is 57 people. The respondent from the commission I is 36 people, the respondent from the commission II is 24 people, the respondent from the commission III is 22 people, the respondent from the commission IV is 16 people. The result of T-Test and Anova test from the variables above are:

2. The t-test and anova result

From the questionnaire, the researcher gets data from the variables: gender, education background, age category and commission origin. Further, the researcher can analyze the T-Test and Anova from those variables (gender, education background, age category and commission origin). The results of the analysis are as follow:

a. Gender

The Group statistics output show that the mean of the local government budget oversight for the male respondent is 0.4024 while for the female respondent is 0.4375 (Appendix 13). The mean of the local government budget oversight for male and female respondent is not different.

The F test levene test is 0.199 with probability 0.656 because the probability is more than 0.05 thus the researcher can conclude that the result have the same variance. The t-test analysis must use equal variance assumed. The equal variance is 0.258 with probability is not significant in 0.797 (Appendix 13). The researcher can conclude that the local government budget oversight for male and female respondent is not significantly different.

This research contra with the research that conducted by Stapenhurst (2004a) state that gender influence significantly with the accountability and the transparency in the budget

process. This research was supported by Murni and Witono (2004) state that gender, age category, education background, political experience, legislature experience, political party ideology, and commission origin is not influence significantly.

b. Education background

The group statistics output show that the mean of the local government budget oversight value for the respondent that have economic background is 0.3415 while for the respondent that have non economic background is 0.4561 (Appendix 13). Absolutely that the mean of the local government budget oversight value for respondent that have economic background and respondent that have economic background is not different.

The F test levene test is 4.763 with probability 0.032. The probability is less than 0.05 (Appendix 13). That is why the researcher can conclude that the result have the different variance. The researcher can conclude that the local government budget oversight value for respondent that have economic background and respondent that have economic background is significant different. Coryanata (2007) states that the limitation of the human resources quality and the less of infrastructure are blocking the factors of the legislature oversight function

c. Age category

The age category is not significant because the probability 0.183 is more than 0.05 (Appendix 13). The researcher concludes that the age category does not influence the local

government budget oversight. Therefore, there is no difference between age category and the local government budget oversight.

The result of Tukey HSD and Bonferoni show that there is no difference among the age category (Age 21-35, age 36-45 and the age more than 45 years old) because all of the p value is more than the significance value 0.05 (Appendix 13). The Homogeneous Subset show in the subset one contains the mean of the local government budget oversight for the age category 21-35 years old, age 36-45 years old and the age more than 45 years old. The significance value is 0.202 it means that the mean of the local government budget oversight for the age category 21-35, age 36-45 and the age more than 45 is not statistically different. This research supported by the research that conducted by Murni and Witono (2004) state that gender, age category, education background, political experience, legislature experience, political party ideology, and commission origin is not influence significantly.

d. Commission origin

The commission origin is not significant, it show the probability 0.091 is more than 0.05 (Appendix 13). The researcher can conclude that the commission origin does not influence the local government budget oversight. There is no difference between commission origin and the local government budget oversight

The result of Tukey HSD and Bonferoni show there is no difference among the commission origin (Commission I, II, III and IV) because all of the p value is more than the significance value 0.05. The Homogeneous Subset show in the subset one contains the mean of the local government budget oversight for the category commission I, II, III and IV). The significance value is 0.083 (Appendix 13). It means that the mean of the local government

budget oversight for the category commission I, II, III and IV is not statistically different. This research supported by the research that conducted by Winarna and Sri (2007) state that personal background and political background commonly do not have the significant influence toward the role of local legislature in the local government oversight.

3. Descriptive statistic of research variable

The table in below will be explain the result of descriptive statistic analysis in the each variable from this research. Information about descriptive statistic covers the average value (mean), standard deviation, minimum value and maximum value. Result from the calculation presented at the following table:

Table 3
Descriptive Statistic of the Variables

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--|----------|----------------|----------------|-------------|-----------------------|
| Local government budget oversight | 98 | 3.0 | 5.0 | 4.02 | 3.33355 |
| Legislature budget knowledge | 98 | 3.0 | 4.0 | 3.93 | 3.46472 |
| Legislature perception on transparency | 98 | 2.0 | 5.0 | 3.21 | 3.96472 |
| Legislature perception on participation | 98 | 2.0 | 5.0 | 3.56 | 3.44347 |
| Legislature perception on accountability | 98 | 2.0 | 5.0 | 3.88 | 2.78268 |
| Valid N (listwise) | 98 | | | | |

The table above show that: the minimum value of budget oversight is 3, the maximum value of local government budget oversight is 5. The mean is 4.02 and the standard deviation is 3.33355. The minimum value of budget knowledge is 3. The maximum value of legislature budget knowledge is 4, the mean is 3.93 and the standard deviation is 3.46472.

The minimum value of legislature perception on transparency is 2, the maximum value of legislature perception on transparency is 5, the mean is 3.21 and the standard deviation is 3.96472. The minimum value of legislature perception on participation is 2, the maximum value of participation is 5, the mean is 3.56 and the standard deviation is 3.44347. The minimum value of legislature perception on accountability is 2, the maximum value of legislature perception on accountability is 5, the mean is 3.88 and the standard deviation is 2.78268.

Legislature budget knowledge and local government budget oversight have the biggest minimum value=3 among others, while the legislature perception on transparency, society participation and accountability have minimum value=2. Legislature budget oversight, legislature perception on transparency, society participation and accountability have big maximum value=5 and legislature budget knowledge has the least maximum value=4. The mean of local government budget oversight is the biggest=4.02 and the mean of legislature perception on transparency is the least=3.21. The standard deviation of legislature perception on transparency is the biggest=3.96472 and the standard deviation of legislature perception on accountability is the least=2.78268.

B. Reliability Test

Reliability test is the measurement to calculate the questionnaire that representing the indicator from variable/construct. Questionnaire told reliable if the answer of the person to the

statement is consistent or stable from time to time. This research used one shot measurement of reliability. SPSS have the facility to measure reliability by statistic test: Cronbach Alpha (α). The construct or variable told reliable if the Cronbach Alpha (α) is more than 0.60, this is based on the Nunnally criteria. (Ghozali 2001). The reliability result summarized as follow:

Table 4
Reliability Result

| Variables | Cronbach's Alpha Based on Standardized Items | N of Items |
|--|---|-------------------|
| Local government budget oversight | .705 | 10 |
| Legislature budget knowledge | .651 | 10 |
| Legislature perception on transparency | .869 | 5 |
| Legislature perception on participation | .687 | 7 |
| Legislature perception on accountability | .705 | 6 |

Result cronbach alpha of each construct from reliability test is more than 0.60 which is according to Nunnally criteria (1967) the variable can be said reliable if the cronbach alpha is more than 0.6 (Ghozali 2001). The details as follow: the cronbach alpha of the local government budget oversight is 0.705, the cronbach alpha of the legislature budget knowledge is 0.651. The cronbach alpha of the legislature perception on public policy transparency is 0.869, the cronbach alpha of the legislature perception on accountability is 0.705. The cronbach alpha of the legislature perception on society participation is 0.687.

C. Validity Test

Validity test is use to measure the questionnaire is valid or not valid. Questionnaire can be categorized valid if the statement in the questionnaire can use to disclose something that measure by that questionnaire. This research used Confirmatory Factor Analysis (CFA) test to

measure validity test. Confirmatory Factor Analysis (CFA) test used to test whether the construct have undimensionality or the indicators can confirm the construct or variable.

Table 5
Validity Result

| Variables | Kaiser-Meyer-Olkin Measure of Sampling Adequacy | Initial Eigen values Cumulative (%) | Sig nificant | Sta tus |
|--|--|--|---------------------|----------------|
| Local government budget oversight | .539 | 67.954 | .000 | valid |
| Legislature budget knowledge | .542a | 70.315 | .000 | valid |
| Legislature perception on transparency | .843 | 66.925 | .000 | valid |
| Legislature perception on participation | .568 | 70.109 | .000 | valid |
| Legislature perception on accountability | .524 | 63.346 | .000 | valid |

The result of CFA test, Kaiser-Meyer-Oklin Measure of Sampling Adequacy (KMO MSA) to each variable is more than 0.50 this is fulfilling assumption of factor analysis and reliable and also assess the Bartlett's Test of Sphericity (BTS) by chi-square is significant of hence inferential that factor analysis can be continued.

Result of factor analysis to each variable, from 10 indicators of the local government budget oversight variable, formed in 4 factors of pursuant to eigenvalues is more than 1 with the value of loading factor=67.954%. It means that all of the factors (4 factors) can explain the local government budget oversight variable with the variation equal to 67.954%, inside comprise the indicator from 1-10.

The variable of legislature budget knowledge there are 10 indicators, formed in 4 factors of pursuant to eigenvalues is more than 1 with the value of loading factor=70.315%, it means that all of the factors (4 factors) can explain the legislature budget knowledge variable with the variation equal to 70.315%, inside comprise the indicator from 1-10.

The variable of legislature perception on society participation there are 7 indicators, formed in 3 factors of pursuant to eigenvalues is more than 1 with the value of loading factor=70.109%. It means that all of the factors (3 factors) can explain the legislature perception on society participation variable with the variation equal to 70.109%, inside comprise the indicator from 1-7.

The variable of legislature perception on public policy transparency there are 5 indicators, formed in 1 factors of pursuant to eigenvalues is more than 1 with the value of loading factor=66.925%, its mean that the factor can explain the legislature perception on public policy transparency variable with the variation equal to 66.925%, inside comprise the indicator from 1-5.

The variable of the legislature perception on accountability there are 6 indicators, formed in 2 factors of pursuant to eigenvalues is more than 1 with the value of loading factor=63.346%, it means that all of the factors (2 factors) can explain the legislature perception on accountability variable with the variation equal to 63.346%, inside comprise the indicator from 1-6.

Pursuant to result of rotated component matrix show that each construct have the undimensionality or all indicators used have the strong explanation factor, thus can be concluded that each score of question items is valid.

D. Classic Assumption Analysis

1. Result of multicollinierity test

The goal of multicollinierity test is to test whether the regression model found the correlation between the independent variables. The good regression model must not have

correlation between the independent variables. If the independent variables have correlation, so the variables are not orthogonal.

The result of multicollinierity test is summarized as follow:

Table 6
Multicollinierity test result

| Model | Unstandardized Coefficients | | t | Sig. | Collinearity Statistics | |
|--|-----------------------------|------------|-------|------|-------------------------|-------|
| | B | Std. Error | | | Tolerance | VIF |
| (Constant) | 27.736 | 3.964 | 6.996 | .000 | .924 | 1.082 |
| Legislature budget knowledge | .011 | .088 | .126 | .036 | .567 | 1.764 |
| Legislature perception on transparency | .291 | .099 | 2.951 | .004 | .588 | 1.701 |
| Legislature perception on participation | .076 | .112 | .679 | .035 | .765 | 1.308 |
| Legislature perception on accountability | .235 | .121 | 1.941 | .045 | | |

The result multicollinierity test from four independent variables examinee, only correlation between legislature perception on public policy transparency and legislature perception on society participation that have high correlation value 0.536 or 53.6% and this correlation is not exceed boundary 95% (Appendix 8). Hence can be told there is no multicollinierity. Result of calculation assess the tolerance seen that there is no independent variable owning value tolerance is less than 0.10 it means that there is no correlation between variable independent which more than 95%. The calculation result of Variation Inflation Factor

(VIF) from four independent variables of examinee, there is no VIF value which more than 10 (Appendix 8), hence inferential that there are no multicollinierity between variable independents in regression model.

2. Result of heteroskedasticity test

The goal of heteroskedasticity test is to test whether in the regression model there is inequality variance from residual of the certain research to another, if there is fix variance of residual of the certain research to another, it called homoskedasticity. If the result is different, it called heteroskedasticity. The good regression model must eliminate the heteroskedasticity.

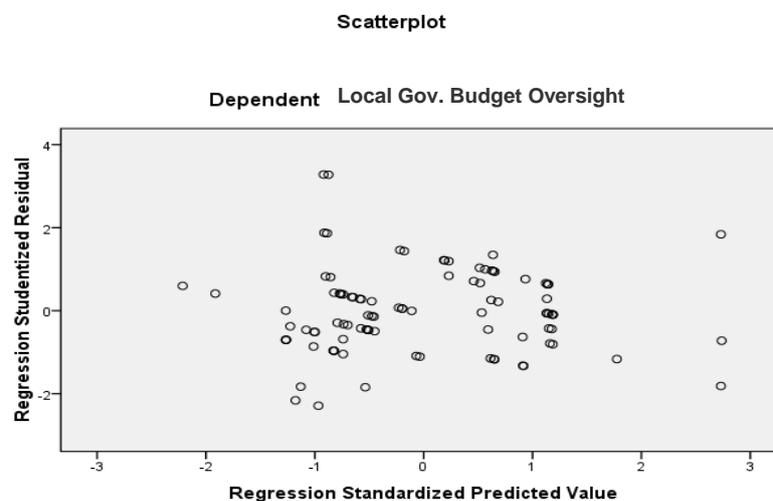


Figure 2
Scatterplot Graphic

Scatterplot result show that dot disseminate at random and spreads over on above and under number zero at axis of the ordinate, this matter inferential that the heteroskedasticity is not

happened at the regression model. The regression model is competent to predict the budget oversight variable based on the input from independent variables of legislature budget knowledge, legislature perception on public policy transparency, legislature perception on society participation and legislature perception on accountability.

3. Result of normality test

The goal of normality test is to test whether the regression model disturbing variable value or residual value normally distributed.

Normal P-P Plot of Regression Standardized Residual

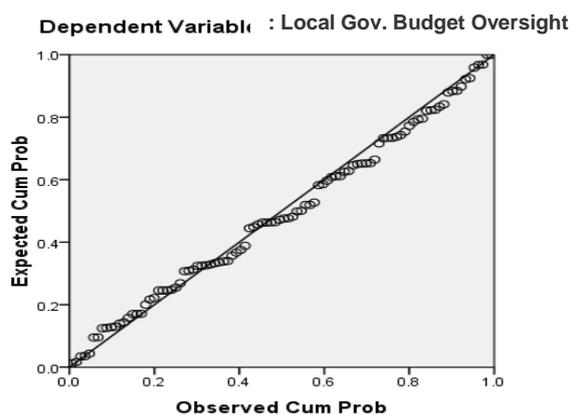


Figure 3
Normal P-P Plot of Regression

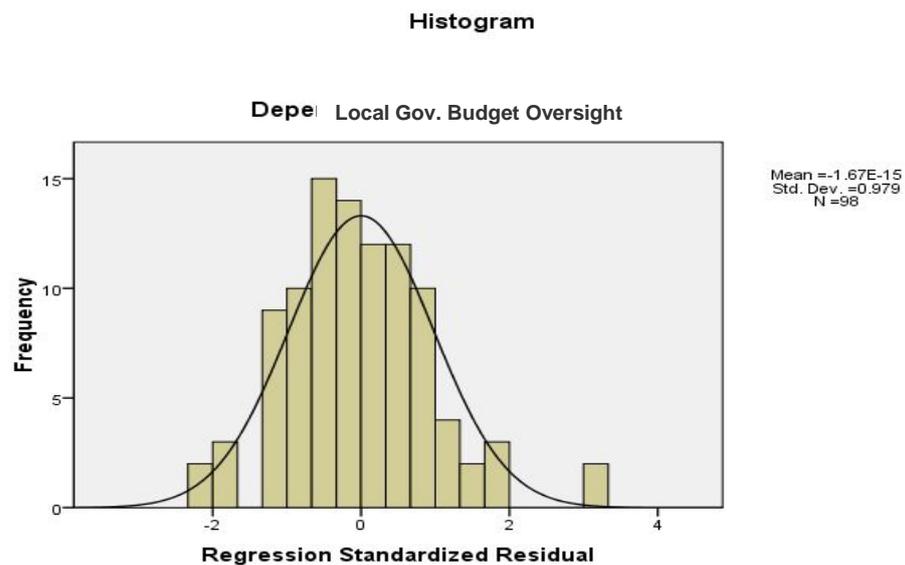


Figure 4
Histogram Graphic

The researcher uses the analysis of statistic One-Sample Kolmogorov-Smirnov (K-S) test with the significant level 0.05. Result test K-S show that level of value K-S is 0.576 and significant at 0.894, hence this matter show that data of residual normally distributed. The Histogram and Normal P-P Plot of Regression Standardized Residual show that histogram graphic give the normal pattern distribution, while the normal plot graphic show that the dot spread around the diagonal line and follow the diagonal line, it means that the histogram graphic show the normal plot distribution, thus the regression model is fulfill the normality assumption.

E. Research Result

1. Hypothesis testing based on the regression result

a. Determination coefficient

Table 7
Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|--------------|-------------------|-----------------|--------------------------|-----------------------------------|
| 1. | .915 ^a | .836 | .812 | 2.90171 |

The value of adjusted R^2 is 0.812, it means that 81.2 % regional budget oversight variance can be explained by the variance from the four independence variables: legislature budget knowledge, legislature perception on public policy transparency, legislature perception on society participation and legislature perception on accountability. While the residue (100%-81.2%= 18.8%) explained by another thing outside the model.

Standard Error of estimate (SEE) is 2.90171, if the SEE value is smaller, it will make the regression model more correct to predict the independence variable.

b. F Statistic Test (Test of significance simultaneous)

Table 8
Anova Result

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|-----------------------|-----------|--------------------|----------|-------------------|
| Regression | 294.867 | 4 | 73.717 | 8.755 | .000 ^a |
| Residual | 783.052 | 93 | 8.420 | | |
| Total | 1077.918 | 97 | | | |

- (1) Predictors: (Constant): Legislature budget knowledge, legislature perception on transparency, society participation and accountability.
- (2) Dependent Variable: The local government budget oversight.

The ANOVA Test or F Test shows that the F value is 8.755 with the probability 0.0000 because the probability less than 0.05 thus the regression model can be used to predict the local government budget oversight. The researcher can say that the legislature budget knowledge,

legislature perception on public policy transparency, legislature perception on society participation and legislature perception on accountability have the influence altogether toward the local government budget oversight.

c. Statistic t test (individual parameter significance test)

Table 9
Individual Parameter Significance Test

| Model | Unstandardized Coefficients | | t | Sig. |
|--|-----------------------------|------------|-------|------|
| | B | Std. Error | | |
| (Constant) | 27.736 | 3.964 | 6.996 | .000 |
| Legislature budget knowledge | .011 | .088 | .126 | .036 |
| Legislature perception on transparency | .291 | .099 | 2.951 | .004 |
| Legislature perception on participation | .076 | .112 | .679 | .035 |
| Legislature perception on accountability | .235 | .121 | 1.941 | .045 |

Dependent variable: local government budget oversight.

1). Unstandardized beta coefficients:

All of the four variables in the regression model are significant, it was shown from the significance probability for legislature budget knowledge is 0.036, legislature perception on public policy transparency is 0.004, legislature perception on accountability is 0.045 and the legislature perception on society participation is 0.035.

The researcher can say that the local government budget oversight was influenced by the legislature budget knowledge, legislature perception on public policy transparency,

legislature perception on society participation and legislature perception on accountability with the mathematic formula:

$$Y = 27.736 + 0.011 X_1 + 0.291 X_2 + 0.076 X_3 + 0.235 X_4 + e$$

While: The local government budget oversight (Y), Legislature budget knowledge (X_1), Legislature perception on public policy transparency (X_2), Legislature perception on society participation (X_3) and Legislature perception on accountability (X_4).

The value 27.736 shows that if the independence variable assumed constant thus the mean of the local government budget oversight is 27.736. Coefficient regression of legislature budget knowledge is 0.011 it means that every addition of legislature budget knowledge 1000 times it will increase the local government budget oversight 11 times. Coefficient regression of legislature perception on public policy transparency is 0.291 it means that every addition of legislature perception on public policy transparency 1000 times it will increase the local government budget oversight 29.1 times.

Coefficient regression of legislature perception on society participation is 0.076 it means that every addition of legislature perception on society participation 1000 times it will increase the local government budget oversight 76 times. Coefficient regression of legislature perception on accountability is 0.235 it means that every addition of legislature perception on accountability 1000 times it will increase the local government budget oversight 23.5 times.

F. Hypothesis Testing

1. The first hypothesis testing

The first Hypothesis in this paper states that: legislature budget knowledge has positive influence in the local government budget oversight. Based on the regression analysis above the influence show with the regression coefficient 0.011 with $p=0.036$. If we use significance rate 5 % or 0.05 thus $p=0.036$ (Table 9) is less than 0.05 it means that legislature budget knowledge has positive influence in the local government budget oversight. If the legislature budget knowledge increases, thus the oversight of the local government budget will be increase too.

This result was supported by Indradi (2001), Syamsiar (2001), Sutarnoto (2002) and Sopanah (2003). The result proves that the quality of legislature measured with the education, knowledge, experience, and membership have influence on legislature performance which one of them is the oversight performance. Based on Yudoyono (2000) that local legislature will be used that rights correctly, doing the duty and responsibility effectively and placed their position if every member has enough knowledge in the governmental management technique, public policy, etc. The knowledge needed in the local government budget oversight is knowledge about budget, because it hopes the local legislature member can detect if there is extravagance and budget leakage.

The research also suitable with the research that conducted by Sopanah (2003) state that the legislature quality can be measure by the knowledge that they have and it will influence the legislature performance especially in the local government budget oversight.

As we know that the position as legislature member still wanted by the certain people for the various purposes without thinking on the quality of that person. One of the purposes is to increase the position among the society, also to get the private interest. Fulfilling that purpose, several legislature members do not aware on education quality and their experience.

Even though one of the key successes of the development depend on the legislature quality, where the legislature has important role in the local government budget oversight. Government that has good quality of the legislature member, it will increase the local government budget oversight thus it will create the successful in the local government development.

2. The second hypothesis testing

The second Hypothesis in this paper states that legislature perception on public policy transparency has positive influence in the local government budget oversight. Based on the regression analysis above the influence show with the regression coefficient 0.291 with $p=0.004$ (Table 9). If we use significance rate 5% or 0.05 thus $p=0.004$ is less than 0.05 it means that legislature perception on public policy transparency has positive influence in the local government budget oversight.

That result can be interpret that if the legislature perception on public policy transparency increases thus the oversight to the local government budget will be increase too and vice versa if the legislature perception on public policy transparency decrease thus the local government budget oversight will be decrease. This research supports the research that conducted by Simson, Imam and Nazir (2007) state that interaction between legislature budget knowledge and public policy transparency influence positively significant to the local government budget oversight.

Based on the Act No. 17/2003 about State Finances, Indonesian Act No.32/2004 about Local Government and The Internal Affair Ministry Regulation No.13/2006 on the Guidelines for Local Financial Management. The act attempts to institutionalize important elements of good governance and ensure the existing of accountability, transparency, efficiency, performance

planning and budgeting, effective public resource allocation and fiscal sustainability. It shows that there is government rules that arranging and require the public policy transparency in the budget oversight.

3. The third hypothesis testing

The third Hypothesis in this paper states that legislature perception on society participation has positive influence in the local government budget oversight. The regression analysis show the influence value of the regression coefficient 0.076 with $p=0.035$ (Table 9). If we use significance rate 5 % or 0.05 thus $p=0.035$ is less than 0.05 it means that legislature perception on society participation has positive influence in the local government budget oversight.

This result is suitable with the research was conducted by Sopanah (2003) conclude that society participation has positive significant influence to the local government budget oversight that conducted by local legislature. This research suitable with the theory by Shaleh (2004) that states development that including all of the part of politic, economic and social will be success if support by participation from all of the society in that country.

Society participation not only conducted in the local government budget oversight but also conducted since the legislature member compiling the instruction and public policy of the local government budget. With the society participation, the legislature member with the knowledge that they have can be absorb the society willingness and realize in the local government budget. Thus in the oversight process of the local government budget, the society can be participate and finally creating the good local government budget oversight so the successfully of the local government development can be achieved.

The society participation and the legislature member that have knowledge can be absorb the society willingness and realize in the local government budget. The process of local government budget oversight, the society can be participate and finally creating the good local government budget oversight thus the successfully of the local government development can be achieved.

Society participation in the local government budget oversight can be formed in many ways, such as giving the aspiration and realize with the communication forum between local legislature member and the society like Multi Stakeholder Consultation Forum for Development Planning.

The local legislature needs to strengthen its effectiveness in the following roles and functions related to the Multi Stakeholder Consultation Forum for Development Planning:

- a. Proactive involvement of relevant local legislature committees/commissions in the discussion, review and evaluation of program proposals.
- b. Understanding their constituents' needs and aspirations voiced in Multi Stakeholder Consultation Forum for Development Planning and providing inputs on program priorities based on community priorities.
- c. Ensuring consistency and balance between the annual district program with national and provincial program priorities and between sectoral programs and resource allocations.
- d. Ensuring that the Multi Stakeholder Consultation Forum for Development Planning implements a proper standard for public consultation, and
- e. Observing relevant legal requirements to include in the local legislature work program the priority activities identified through the Multi Stakeholder Consultation Forum for Development Planning.

4. The fourth hypothesis testing

The fourth Hypothesis in this paper states that: legislature perception on accountability has positive influence in the local government budget oversight. The regression analysis above show the influence value of the regression coefficient 0.235 with $p=0.045$ (Table 9). If we use significance rate 5% or 0.05 thus $p=0.045$ is less than 0.05 it means that legislature perception on accountability has positive influence in the local government budget oversight.

It can be interpret that if the legislature perception on accountability increases thus the local government budget oversight will be increase too. This research supports the research that was conducted by Coryanata (2007) states that accountability influence positively significant to the local government budget oversight.

Indonesian Act No.32/2004 about Local Government requires giving the accountability disclosure. This act is meant to create a sense of public ownership in local governance, ensure greater transparency and accountability, and put an emphasis on the public good by shaping community aspirations into tangible programs and services.

The accountability disclosure can be shown by the disclosure of financial reporting. The executive makes the financial reporting and the legislature doing the oversight process to all part of the budget process from compiling the local government budget, the process, the absorption of the local government budget and the audit result of the local government budget.

CHAPTER V

CONCLUSION AND SUGGESTION

A. CONCLUSION

1. Legislature budget knowledge has positive influence to the local government budget oversight. The knowledge needed in the local government budget oversight is knowledge on budget since it hopes the local legislature member can detect if there is extravagance and budget leakage.

The research is supported by the research conducted by Sopanah (2003) state that the legislature quality can be measure by the knowledge that they have and it will influence the legislature performance especially in the local government budget oversight

2. Legislature perception on public policy transparency has positive influence in the local government budget oversight. If the public policy transparency can fulfilled, it will increase the value of the local government budget oversight.

This research supports the research that conducted by Simson, Imam and Nazir (2007) state that interaction between legislature budget knowledge and public policy transparency influence positively significant to the local government budget oversight.

3. Legislature perception on society participation has positive influence in the local government budget oversight. Society participation not only conducted in the local government budget oversight but also conducted since the legislature member compiling the instruction and public policy of the local government budget.

This result is suitable with the research conducted by Sopanah (2003) conclude that society participation has positive significant influence to the local government budget oversight that conducted by local legislature. This research suitable with the theory by Suprasto (2006) that states development that including all of the part of politic, economic and social will be success if support by participation from all of the society in that country.

4. Legislature perception on accountability has positive influence in the local government budget oversight. If the legislature perception on accountability increases, thus the local government budget oversight will be increase too.

This research supports the research that conducted by Coryanata (2007) state that accountability influence positively significant to the local government budget oversight.

B. SUGGESTION

There are several suggestions regarding this research, such as:

1. Ordering the process of the local government budget oversight can be conducted well, it should be increasing the society participation, public policy transparency and the accountability willingness from the legislature member and also the increasing knowledge and experience of the legislature member capability.

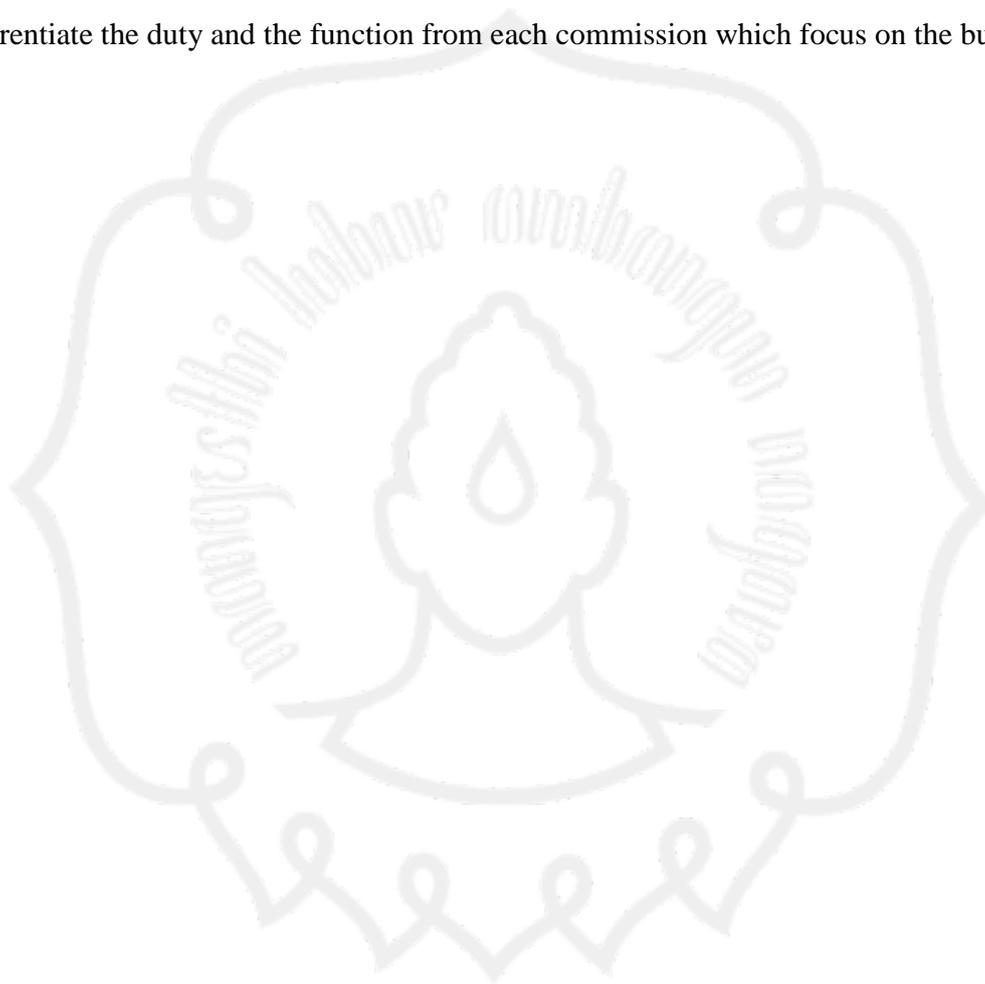
The better society participation, the more guarantee of the oversight process that conducted by legislature. The legislature member working as the duty and their responsibility. Beside that, public policy transparency must be increase too, because the transparent of public policy will decrease the possibility of the deviation from the right duty and responsibility.

2. The suggestion from the writer for another researcher that have willingness to make the next research are :
 - a. The next research can be conducted in the more municipalities, sub provinces and even in the several provinces thus it will get more respondent and more sample, in order the generalization of the research will be better.
 - b. Increase the research variable with another characteristic of good governance.
 - c. The next research can be conducted by the sample from the society (from the several society layers) and make comparison.

C. LIMITATION

This research just conducted in the eks karesidenan Surakarta area. This result just covers that region and if another researcher want get better generalization in the next research should be use the large sample, it can be the sample from the several provinces.

Respondent used in this research is all legislature member in the eks Karesidenan Surakarta and taken from the entire commission (Commission A, B, C and D) and do not differentiate the duty and the function from each commission which focus on the budget area.



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