



Effect of Elements of Regional Financial Management towards SKPD Regency/City Performance and Its Implication on Public Service



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Abstract

This study aims to describe the elements of local financial management that include: the effectiveness of financial planning, the effectiveness of budget execution control, transparency and accountability of financial reporting, the effectiveness of internal and external party supervision, and the performance, as well as the public service; analyze the influence of effectiveness of financial planning, effectiveness of budget execution control, transparency and accountability of financial reporting, and effectiveness of internal and external party supervision on performance; analyze the influence of effectiveness of financial planning, effectiveness of budget execution control, transparency and accountability of financial reporting, and effectiveness of internal and external party supervision on public services; analyze the effect of the performance on public services; and analyze the influence of effectiveness of financial planning, effectiveness of budget execution control, transparency and accountability of financial reporting, and the effectiveness of internal and external party supervision on public service through performance. The analysis technique used is descriptive analysis and structural equation modeling analysis. The effectiveness of financial planning, the effectiveness of budget execution control, transparency and accountability of financial reporting, and the effectiveness of internal and external party supervision have an effect on the performance. The effectiveness of financial planning, the effectiveness of budget execution control, transparency and accountability of financial reporting, and the effectiveness of internal and external oversight of supervisors on public services. The performance of the Local Government Work Unit influences public services. The effectiveness of financial planning, the effectiveness of budget execution control, transparency and accountability of financial reporting, and the effectiveness of internal and external party supervision affect public services through the performance.

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Implementation of local government in accordance with the mandate of the 1945 Constitution is to regulate and manage its own governmental affairs according to the principle of autonomy, and the task of assistance is directed to accelerate the realization of the welfare of society through the improvement of service, empowerment, and participation of the community, and enhancement of regional competitiveness by taking into account the principles of democracy, justice of peculiarity and peculiarity of a region in system of Republic of Indonesia. Evaluation results show that the performance of local government still disappoints the community (Sangkala and Hamsina, 2015). Although various efforts have been made, the results have not met the expectations of the community.

Good public service and quality is the right of citizens as well as the constitutional obligations of the state. Therefore, the government must provide the best public service to the public. Some communities often get a good public service abandonment from public service providers. Even the tendency of public service providers to do public service potluck, public service is considered just to abort the obligations and part of the routine task alone. In legal relations, communities with public service providers do not have equal standing and do not have access to good public service information.

The 1998 reform movement has succeeded in realizing the protection of the will of the people to obtain a balanced position with the providers of public services while having a communication channel of settlement in the event of being denied their rights by the public service providers. Law Number 25 the Year 2009 on Public Service becomes one of the important milestones for the protection and guarantee of the rights of citizens and residents of Indonesia in obtaining good public services (Imanuddin, 2016).

Another problem arising from the planning aspect is the ineffectiveness of the performance assessment of the policy, the planning and implementation of the activity itself in a comprehensive and sustainable manner, the low level of transparency and accountability of the utilization of public financial resources. The community's expectation is the fulfillment of the needed services through the performance of the organizational unit of government. To achieve the prime performance needs to be in the design of performance management. From the financial aspect, it is necessary to apply the elements of effective financial governance so that the sources of income can be allocated for the benefit of public services.

The objectives to be achieved in this research are as follows: to describe the elements of local financial management which include: effectiveness of financial planning, effectiveness of budget execution control, transparency and accountability of financial reporting, effectiveness of internal and external party supervision, and performance of Local Government Work Unit, and public services; analyze the influence of effectiveness of financial planning, effectiveness of budget execution control, transparency and accountability of financial reporting, and effectiveness of internal and external party supervision on performance of Local Government Work Unit; analyze the influence of effectiveness of financial planning, effectiveness of budget execution control, transparency and accountability of financial reporting, and effectiveness of internal and external party supervision on public services; analyze the effect of the performance of the Local Government Work Unit on public services; and analyze the effect of effectiveness of financial planning, effectiveness of budget execution control, transparency and accountability of financial reporting, and effectiveness of internal and external party supervision on public service through performance of Local Government Work Unit.

2. Research Methods**2.1 Operational Definition of Variables**

a) Performance of Regional Device Work Unit

The performance of the SKPD is the result of the implementation of the work plan and budget of the regional apparatus unit over a period of time. Performance appraisal of regional apparatus unit is measured based on the financial indicator, with value for money approach covering economic aspect, effectiveness, and efficiency.

b) Public service

Public service is a series of activities undertaken by government agencies to meet the needs of community services. This variable is measured based on the optimal level of service delivery to the community which consists of; fourteen point public services refer to Kep./25/M.PAN.2/2004, there are fourteen relevant elements that must exist as a basis for measuring public satisfaction indexes on public services. The fourteen items are then grouped into four dimensions of measurement; (1) service procedure, (2) service quality, (3) service cost, and (4) supporting service (Kep / 25 / M.PAN.2/2009).

c) Financial planning

Financial planning is the effectiveness of allocating income sources into programs and activities in the context of achieving the objectives of SKPD. The variable effectiveness of financial planning is measured by measurement indicators;

- 1) The level of completeness of development planning documents as the basis of financial planning that includes; Five-year strategic plan, Local Government Working Plan for one year period, formulation of vision, mission and objectives, general and budget policy documents and temporary budget ceiling priority documents.
- 2) Budget drafting process; the top-down approach in which the initial draft is set based on the planning document, then the community aspiration net (mesh romance), through a participatory approach and through coordination among levels of government apparatus.
- 3) Characteristic clarity of budget targets. (2) RKA is prepared based on program priorities in accordance with the needs of public services, (3) and RKA is structured based on performance approach. (1) The work plan and budget (RKA) which is compiled refers to the vision, mission of each SKPD.

d) Control of budget execution

Controlling the execution of the budget is a control system built in the framework of execution of the budget to secure the assets of the organization, and obey the rules that have been determined. This variable is measured by measurement indicators;

- 1) Available control documents of both income and expenditure,
- 2) The separation of functions of parties related to revenue, and spending in SKPD,
- 3) The existence of Standard Operating Procedures (SOP) in the administration and level of compliance to SOP.

e) Transparency and Accountability

Transparency and accountability is the presentation of financial statements openly, honestly and completely as a form of government accountability to the public and to higher authorities. This variable is measured by the indicator;

- 1) The effectiveness of report presentation includes; the ability to prepare financial statements, the level of ability to complete financial reports in a timely manner, and preparation of financial statements in accordance with applicable public accounting standards.
- 2) Accessibility of financial report covers; publication of financial statements openly, ease in obtaining financial statements, the public can access the financial statements via the internet.
- 3) Accountability; fair presentation of financial statements, financial reports accountable to higher authorities, and accountability of financial statements to the public at large.

f) Effectiveness of supervision

The effectiveness of supervision is the optimization of supervision by external and internal parties. This variable is measured by indicators of supervisory effectiveness by the inspectorate, examination by the Financial Audit Agency (BPK), and the effectiveness of DPRD oversight.

Measurement of each research variable using a Likert scale.

2.2 Population and Sample

The population in this study is all the Regional Device Work Unit (SKPD) in North Maluku province as many as 393 SKPD. The sampling technique is done based on the purposive sampling method with the aim of obtaining representative sample according to the criteria which have been determined. Thus the sample size targeted in this study is, all SKPD in the three districts is 117 SKPD.

2.3 Data Analysis Technique

The analysis technique used in this research is descriptive analysis and Structural Equation Modeling (SEM) Analysis.

3. Results and Analysis

3.1 Test Result of Structural Equation Model

The result of SEM assumption test proves normal distributed data, not outlier and there is no multicollinearity problem. Observational data have been eligible to be tested on the model of structural equations that researchers built with the help of AMOS program 18 (Analysis Moment of Structure). The result of modeling test as a whole is shown in Figure 1.

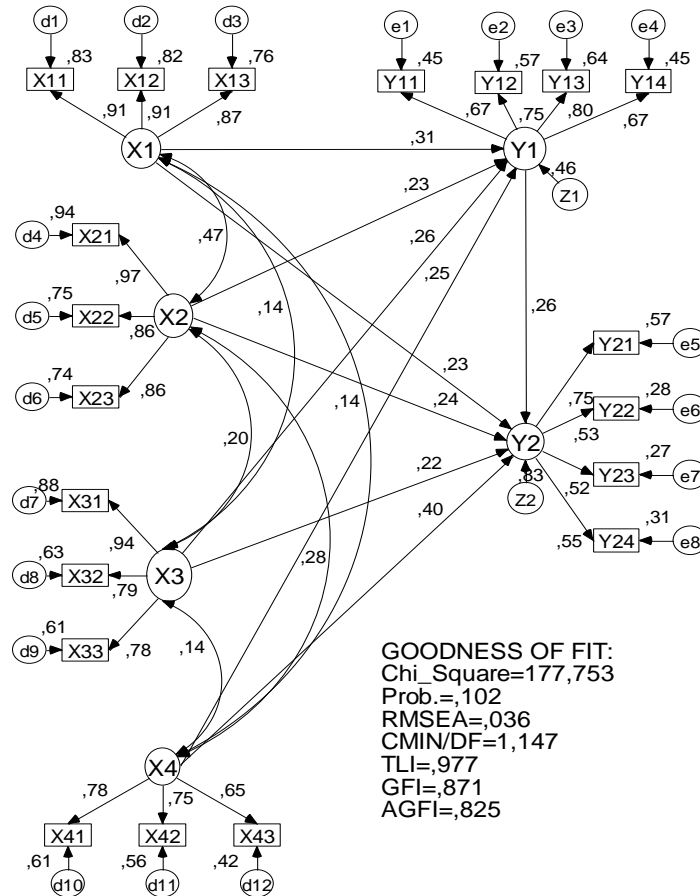


Figure 1. Structural Equations Research Model

Rejection or acceptance of the Structural Equation Model as an analytical tool appears at the value of the resulting Goodness of fit index. The acceptance criteria for the structural equation model will be compared with the recommended cut-off value. Evaluation of Goodness of fit index is presented in Table 1

Table 1
Evaluation of the Goodness of Fit Model of Structural Equations

<i>Goodness of fit indices</i>	<i>Cut-off value</i>	Result	Information
Chi-Square (df = 155)	185,05	177,753	Good
Probability Chi-Square	> 0,05	0,102	Good
CMIN/DF	≤ 2,00	1,147	Good
RMSEA	≤ 0,08	0,036	Good
GFI	≥ 0,90	0,871	Marginal
AGFI	≥ 0,90	0,825	Marginal
TLI	≥ 0,95	0,977	Good

Source: Primary data processed.

Based on the evaluation of Goodness of fit criterion in Table 1, it shows that chi-square, chi-square, CMIN / DF, RMSEA and TLI evaluation have fulfilled the suggested, thus the structural equation model built can be an analytical model to prove hypothesis and research findings.

3.2 Hypothesis Test Results

Table 2
Influence of Elements of Regional Financial Management of SKPD Performance

Exogenous	Intervening	Endogenous	<i>Standardized Regression Weight</i>	Estimate	S.E.	C.R.	P	<i>Indirect Effects</i>	<i>Total Effects</i>
<i>Financial planning</i>	<i>Local Government performance</i>	-	0,31	0,205	0,071	2,896	0,004	-	-
<i>Budget execution control</i>	<i>Local Government performance</i>	-	0,23	0,187	0,091	2,044	0,041	-	-
<i>Transparency and accountability</i>	<i>Local Government performance</i>	-	0,26	0,221	0,081	2,727	0,006	-	-
<i>Internal and external party supervision</i>	<i>Local Government performance</i>	-	0,25	0,293	0,124	2,361	0,018	-	-
<i>Financial planning</i>	-	Public service	0,23	0,138	0,06	2,284	0,022	-	-
<i>Budget execution control</i>	-	Public service	0,24	0,178	0,073	2,44	0,015	-	-
<i>Transparency and accountability</i>	-	Public service	0,22	0,167	0,069	2,428	0,015	-	-
<i>Internal and external party supervision</i>	-	Public service	0,4	0,428	0,118	3,61	0,000	-	-
-	<i>Local Government performance</i>	Public service	0,26	0,237	0,118	2,004	0,045	-	-

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<i>Financial planning</i>	<i>Local Government performance</i>	Public service	0,23	-	-	-	-	0,08	0,31
<i>Budget execution control</i>	<i>Local Government performance</i>	Public service	0,24	-	-	-	-	0,06	0,30
<i>Transparency and accountability</i>	<i>Local Government performance</i>	Public service	0,22	-	-	-	-	0,07	0,29
<i>Internal and external party supervision</i>	<i>Local Government performance</i>	Public service	0,40	-	-	-	-	0,07	0,47

1) Testing Hypothesis First

The test results show that the effectiveness of financial planning has a significant effect on the performance SKPD because the probability obtained by 0.004 (less than 0.05) is positive. The direction and the large directional effect coefficient of 0.31. The results of this test have been tested that the effectiveness of financial planning has a positive and significant impact on the performance SKPD.

The effectiveness of budget execution control has a significant effect on SKPD performance because the probability is 0,041 (less than 0,05) that is positive. The direction and magnitude of the directional effect coefficient of 0.23. The results of this test have been tested that the effectiveness of budget execution has a positive and significant impact on the performance SKPD.

Transparency and accountability reporting the significant effect on the performance SKPD because the probability obtained by 0.006 (less than 0.05) is positive. Direction and the large directional effect coefficient (standardized direct effect) of 0.26. The results of this test have been tested that transparency and accountability reporting have a positive and significant impact on SKPD Performance.

The effectiveness of reporting control has a significant effect on SKPD performance because the probability is 0,018 (less than 0,05) that is positive. The direction and the large directional effect coefficient of 0.25. The results of this test have been tested that the effectiveness of reporting controls have a positive and significant impact on the performance SKPD. Thus the first hypothesis is tested.

2) Testing Hypothesis Second

The test results show that the effectiveness of financial planning has a significant effect on public service because the probability is 0,022 (less than 0.05) that is positive. The direction and magnitude of the directional effect coefficient of 0.23. The results of this test have been tested that the effectiveness of financial planning has a positive and significant impact on public services.

The effectiveness of budget execution control has a significant effect on public service because probability is 0,015 (less than 0,05) that is positive. The direction and magnitude of the directional effect coefficient of 0.24. The results of this test have been tested that the effectiveness of budget execution has a positive and significant impact on the public service.

Transparency and accountability reporting has a significant effect on public services because the probability is obtained at 0.015 (less than 0.05). The direction and magnitude of the directional effect coefficient of 0.22. The results of this test indicate that the transparency and accountability of reporting have a significant effect on the public service.

The effectiveness of reporting controls has a significant effect on the public service because the probability is obtained at 0.000 (less than 0.05). The direction and magnitude of the directional effect coefficient of 0.40. The results of this test indicate that the effectiveness of reporting control has a significant effect on public service. Thus the second hypothesis is tested.

3) Testing Hypothesis Third

Table 2 shows that public services have a significant effect on SKPD performance because the probability is obtained at 0.045 (less than 0.05). The direction and magnitude of the directional effect coefficient of 0.26. The results of this test indicate that public services have a significant effect on the performance of SKPD. Thus the third hypothesis is statistically tested.

4) Testing Hypothesis Fourth

The result of research analysis influence the effectiveness of financial planning to public service through the performance of SKPD shows that total influence 0,31 bigger than direct influence 0,23, so SKPD performance is tested as an intervening variable that mediates effectiveness of financial planning to public service. The effectiveness of budget execution on public service through SKPD Performance shows that the total influence of 0.30 is greater than the direct influence of 0.24 so that SKPD performance is tested as an intervening variable that mediates the effectiveness of budget implementation to public service. Transparency and accountability of reporting to Public Services through SKPD Performance show that the total effect of 0.29 is greater than the direct influence of 0.22 so that SKPD Performance is tested as an intervening variable that mediates transparency and accountability of reporting to public services. The effectiveness of reporting control over Public Service through SKPD Performance indicates that the total effect of 0.47 is greater than the direct influence of 0.40 so that SKPD performance is tested as an intervening variable that mediates the effectiveness of reporting control over public services. Thus the fourth hypothesis is tested.

3.3 Discussion

a) Influence of Elements of Financial Management to Performance

Respondents' perceptions of the application of elements of public finance governance indicate that the existing Local Government Work Units (SKPD) in the district/city government have applied the principles of financial management in their respective agencies quite well. The main purpose of public organizations is to provide services to the community or meet the needs of society that is considered urgent. The fulfillment of service needs cannot be fulfilled as well considering the financial capacity of the region is still limited while the type of service is so widespread.

The regional government unit of regency/municipality in North Maluku province has compiled. Planning good medium-term development plan 5 years, in which has clearly defined mission vision. In addition, SKPD has also developed operational plans as a basis for the preparation of programs, activities, and budgets for the current year. Preparation of medium-term development plan and annual development plan is a manifestation of the fulfillment of the needs of community services in stages and continuously adjusted to the ability of local revenue sources each period of the fiscal year. Financial planning reflected in the work plan and budget serves as a performance standard for each SKPD. One indicator of performance measurement is the level of budget absorption wherein the budget realization report, there is a comparison between budget and realization. This means that the effectiveness of financial planning can improve or affect the performance of SKPD. The results of this study are in accordance with the opinion of Probsts (2009) which states that the expectation to achieve the prime performance of a government organization starts from the preparation of long-term medium-term development plan, the annual plan because the planning is the basis of policy development program type of service to be provided to the community. In line with research conducted by Hilmi (2005) that clarity of budget targets have a positive and significant impact on the performance accountability of government agencies.

The test results show that the effectiveness of budget implementation has a significant effect on the performance of SKPD. The implementation of budget is a process of realization of the budget that has been established, in its implementation need to control to ensure that the sources of income allocated according to its allocation. Control of budget execution is the application of internal control system to ensure that local revenue sources have been allocated effectively, efficiently, and solely for the public interest. Thus the effectiveness of budget execution can encourage the achievement of SKPD performance because by controlling the sources of effective expenditure, ensuring all sources of income have been spent effectively and cost-effectively.

Transparency and accountability based on the test results have a significant effect on the performance of SKPD. Transparency is the freedom to access the information needed in relation to the public interest directly acquired by the parties concerned. While accountability is the obligation of a person or organization to carry out its responsibilities. Transparency and accountability are two interrelated terms because accountability requires transparency. Preparation of financial statements in a timely manner, complete and guided by public accounting standards is one manifestation of accountability. Thus, transparency and accountability have a significant effect on the achievement of SKPD performance, meaning that the implementation of local government responsibilities through SKPD respectively, has

prepared an honestly and openly disclosed financial statements allowing all stakeholders, especially the community to know and assess the development of resource allocation, source of local income by each SKPD. Stakeholders may monitor the use of financial resources so that transparency and accountability of financial reporting can promote the achievement of SKPD performance in a prime manner.

The results of the analysis indicate that the effectiveness of supervision has a significant effect on the performance of SKPD, the supervision made by the parties mentioned above in addition to ensuring that the budget that has been developed and agreed between the executive and the legislature has been well implemented which is known through the financial statements audited by CPC. In addition, the opinion and entry of the auditor serve as the basis for future performance improvements. Thus the effectiveness of supervisors has a significant effect on the performance of SKPD. In relation to the theory of the results of this study in accordance with The National Performance Management Advisory Commission (2010) in the journal *A Performance Management Framework For State and Local Government* that explains that in an effort to achieve the performance of the government in prime, it is necessary that the performance management captures the planning process which formulates the vision, mission, and objectives of the organization; the process involves the community in identifying needs, budgeting processes that allocate financial resources according to priority; a measurement process that encourages the overall performance management system, accountability mechanisms that are obligations to explain or justify the implementation of responsibilities openly, process analysis and performance reporting.

b) Influence of Elements of Financial Management to Public Service

Testing result of research indicates that effectiveness of local financial planning has a significant effect on public service. Financial planning in the process of preparation is based on a bottom-up system in which the community is included in the preparation mainly to provide input on the program, activities, and budget. Community participation in the budgeting process shows that the urgent service needs have been accommodated in programs, activities, and budgets. If it can be realized effectively, efficiently, then the needs of the community will be fulfilled. So good financial planning will increase public satisfaction on public services.

The result of the effective influence of budget implementation has a significant effect on public service. Implementation of the budget in which the elements of internal control have been implemented and running well, to ensure that the sources of income have been allocated solely for the benefit of community services. The logical consequence of the fulfillment of the needs of society, is the level of public satisfaction on public services increased as well.

Transparency and accountability of reporting is an obligation to conduct accountability honestly and openly, by the party who is given the mandate to run the wheels of government to the parties concerned, especially to the people as a giver of trust. Inadequate mechanisms of accountability and transparency indicate that the tenants are trying to hide something that the public can not do or should not be aware of because they have not been able to carry out their duties according to their responsibilities. Conversely, if the stakeholders are able to perform the task well and able to effectively and efficiently block sources of opinion, there is no reason to hide the achievement of the performance that has been achieved in an effort to meet the needs of community services.

The result of examination of the influence of transparency and accountability of financial reporting to public satisfaction on public service show existence of positive and significant influence. The financial report as a means of accountability that is disclosed honestly and openly and justifies the implementation of the task, allowing the community to participate in monitoring the progress of the implementation of the duty of the office. The logical consequence of community participation in monitoring the progress of program, activity and budget implementation, is that the government apparatus will show its best efforts to provide services to the community. Transparency and accountability reporting can increase the public satisfaction of public services.

External auditing by external parties is a process and evaluation to find the match between financial statements that have been prepared with the standards that have been set, and conducted by independent parties and then provide an opinion whether the preparation of financial statements in accordance with public accounting standards. Financial supervision in public finance governance has been conducted in layers, in addition to external party supervision, also conducted by internal parties and DPRD in the framework of the implementation of a supervisory function. From the perspective of agency theory, DPRD represents the people (voters) as principal to give a mandate to government apparatus to run

government wheel (agent) where the main goal is to provide public service. The agency relationship between the executive as an agent and the legislature as principal focuses on the problem of information asymmetry, the agent provides information while the principal monitor's agency performance, the implication of the application of agency theory one of which can lead to positive things that are efficient behavior.

The results of this study indicate that supervision conducted both external through audit activities and supervision conducted by internal parties and the DPRD have a significant effect on public satisfaction on public services. The implications of external party supervision and the DPRD can lead to positive things that are efficient behavior. Efficient behavior also implies the fulfillment of service needs according to community expectations. Thus the supervision of financial aspects will increase public satisfaction on public services.

Holistically it can be said that the elements of local financial processing have a positive effect on public service. In line with the results of research conducted by [Matshidze et al. \(2012\)](#) suggests that performance management systems and productivity affect public services. Performance management system in question is the implementation of management functions, initiated planning, implementation, reporting, and supervision, including in the field of finance.

c) Effect of SKPD's Performance on Public Service

The results of research testing indicate that the achievement of SKPD performance has a significant effect on the public satisfaction of public service. SKPD performance is a description of the level of achievement of goals or objectives of government agencies as a translation of the vision, mission, and strategy that reflects the success rate and failure of the implementation of activities in accordance with the programs and policies that have been set. At the level of practice in some areas it is often found that although the achievement of performance is considered not achieved in terms of budget absorption level, the level of public satisfaction on public services is high enough. This condition implies that performance is not only seen and the comparison between the normative target organization with realization, but it needs to be seen work processes related to a series of organizational activities. The indication of the achievement of community satisfaction despite the low level of performance is that in the workings of the government apparatus is able to involve the role of society to meet the needs of services.

d) The Influence of Elements of Financial Management to Public Services Through the Performance of Government Agencies

The Performance of the Regional Devices Unit mediates the influence of financial planning on public services, this is understandable because financial planning is a standard for performance appraisal, as well as programs and activities which, if implemented effectively, also means the performance of local unit units can be achieved well, the implications of the achievement of performance seen in the aspect of budget absorption is fulfilled the needs of community services. Thus the performance of SKPD mediates the influence of the effectiveness of financial planning on public services.

The effectiveness of the implementation of the budget is an internal control process to ensure that local financial resources are effectively allocated efficiently and in accordance with program activities and budgets established by the executive and legislative. The community as voters entrusts the legislature to determine the policies related to the needs of services through budgeting and supervision so that the implementation of programs and activities and budgets can be realized appropriately according to their allocation. The effectiveness of budget implementation is able to mediate the work unit performance because the implementation of an internal control system in budget execution is aimed to protect the assets of the Regional Device Work Unit including the allocation of local financial resources so that the allocation is solely for the needs of the service.

From the perspective of the work unit, the effectiveness of the application of internal controls in the implementation of the budget has implications on the achievement of performance that is economical (spending well), efficient (spend less), and effectiveness. From a community perspective or voters allocating financial resources effectively, efficiently, economically, indicates that the urgent service needs can be met. Thus the performance of SKPD can mediate the effect of the effectiveness of budget implementation on the public satisfaction of public service.

Transparency and accountability of reporting in the field of public finance is the responsibility of the recipients of the mandate or government apparatus to report honestly and openly the financial information to the parties concerned. Inadequate mechanisms of accountability and transparency indicate that the

holder of a position conceals something that the public can not do or should not be aware of because it is incapable of performing its duties and functions of liability.

The results of this study have justified the performance management models of which were proposed by the government to improve the performance of public organizations, especially government organizations, beginning with the formulation of regulations and policies including the formulation of long-term planning, medium-term planning that includes the formulation of vision, mission and objectives, then in its implementation set forth in the operational plan or annual plan. One important aspect of operational planning is performance-based budgets.

In the process of formulation, it is expected that there is a logical relationship between the legislature as the principal representing the public / voters with the executive as the executor (agent) so that in the preparation of the policy, the need for public services can be accommodated and is the basis for formulating policies for the preparation of program and type and service level which will be given to the community.

Program, activities, and budgets that have been prepared, in the implementation need to control, monitoring and evaluation either through the design of internal control system or through the supervision of an independent external party as a mediator between the legislature and the executive. The executive as an agent is obliged to account for the implementation of program activities and budgets according to their functions honestly and openly in the context of the realization of good governance through the application of transparency and accountability principles and is the basis for monitoring, evaluation as well as performance appraisal.

The implementation of this management model and performance appraisal leads to the achievement of a prime performance of governmental organizations and implies the satisfaction of the society for the services provided because, in essence, the objective of the government organization is to provide services to the community. Thus the findings in this study that the application of elements of financial management which is the cycle of the implementation of the function of planning, implementation, monitoring, and evaluation effectively has been tested, in addition to improving the performance achievement can also increase public satisfaction of public services and SKPD performance can mediate the influence of elements - the element of financial management of public services.

Important functions in running local government wheels, especially to achieve prime performance is the executive, legislative and independent auditors. In relation to agency theory, the relationship between the legislature and the executive is the agency relationship in which the legislature represents the people as principals and executives as agents. The legislature represents the people together with the executive formulates the policies, especially the policy of budget preparation. The expectation of the people is both the legislative and the executive can prioritize the interests of the people especially the fulfillment of the need for services that are considered urgent according to the time dimension.

Legislative and public/voters relationship is an agency relationship in which the people as principals entrust to the legislature as an agent to formulate one policy of budget policy oriented to the interests of voters. The legislature in addition to running the function of budgeting (budget function), also serves to oversee the implementation of the budget (supervisory function).

In the eyes of the credible voters given to the legislature in the hope that the budget policy developed with the executive can meet the voters' expectations of the gradual and continuous needs of services, whether administrative services, public infrastructure services, public services, basic social services, and other services.

Voters give confidence to executives, especially the oversight of budget execution to be implemented as expected. This expectation will be realized if both the executive and the legislature do not behave opportunistic or moral behavior hazard that only thinks of each other's interests, but must behave efficiently. Thus, the supervisory aspects and by the DPRD, the independent auditor's influence on the improvement of SKPD performance, and also implicate the public service if both the legislative and the executive behave efficiently.

4. Conclusion

The financial performance of the North Maluku Provincial Government Unit of Work Unit has been achieved as expected, based on the economic dimension (spending-well), efficiency (spending less), and effectiveness.

This implies that the allocation of income sources in the context of the implementation of programs, activities, and budgets has been appropriately allocated as intended to meet the interests of public services.

The description of public service indicates that the needs of community services are met gradually according to the phasing out of planned achievements in long-term, medium-term planning documents, and annual work plans, both administrative service needs, public service infrastructure needs, public service needs and service and support service.

Financial governance at the Regional Government Work Units in the District / Municipality of North Maluku Province has been effectively implemented in which the elements of financial management which include: financial planning, budget implementation, transparency, accountability and reporting, and supervision have been well implemented.

Applying the elements of financial management effectively indicates that all the functions of financial governance management have been effectively implemented. From the planning aspect, the budgeting process besides referring to the long-term, medium-term and operational plan of development document as the basis for achieving development stages, also uses a participatory approach by capturing the aspirations of the community in the activity program and budget, so that the needs of community services are considered urgent can be accommodated. From the aspect of the budget execution of internal control system has been designed to secure an allocation of income so that its use according to allotment. Transparency and accountability have been built as a manifestation of good governance in finance. External financial responsibility to stakeholders has been conducted in a timely, honest and open manner so that people can access financial reports while monitoring the use of financial resources. In addition, oversight of sources of revenues and expenditures and financing has been undertaken, both external and internal, and DPRD oversight in the context of the implementation of the oversight function effectively.

The effectiveness of financial planning is realized through performance-based budgeting, in which the process of budgeting based on the achievement of development phases that have been formulated in the development planning documents and have clarity of budget goals that is in accordance with the vision of the mission, and accommodate the needs of community services considered urgent has been met. A budget is a standard for performance appraisal and is a revenue allocation to meet the needs of community services. Thus the effectiveness of financial planning has a significant effect on the performance SKPD, as well as to encourage increased public satisfaction of public services.

Implementation of an internal control system in budget execution covering the level of availability of operational standard of financial management procedure, separation of functions and documents of transaction proof ensuring the reliability of the evidence of financial transactions constitute the realization of the effort to use income sources according to their allocation. Implementation of internal control system effectively in addition to affecting the performance SKPD, also can increase the public satisfaction of public service.

Honesty is accountable for the timely, honest and opens implementation of programs, activities, and budgets to stakeholders, especially the community as stakeholders. In addition to reporting that tasks and functions have been done well, the executive also wants to show the public that the needs of service have been met. also. Thus, transparency and accountability of reporting, in addition, to directly affect the public service can also have an indirect effect on the performance SKPD.

Oversight by external and internal parties, and by the DPRD is to ensure that the budget has been established where the source of income has been allocated economically, effectively, efficiently. Supervision by BPK is to audit the financial statements to ascertain whether the financial statements have been prepared in accordance with prevailing public accounting standards. Supervision by the legislature as a principal is to ensure that the executive as an agent has carried out its responsibility duties in the context of achieving the performance targets set together in the APBD document. In the assessment of accountability for the absence of information asymmetry, it is necessary to meditate from an independent audit. Thereby Supervision performed by an external party, internal and DPRD have an effect on to achievement of SKPD performance. It can also increase the public satisfaction of public service because, in reality, the realization of budget is a manifestation of the fulfillment of the needs of community service.

Implementation of the elements of local financial management effectively significantly affect the performance of the Regional Device Work Unit and has implications for public satisfaction on public services. The Performance of the Regional Devices Unit may mediate the effect of the effectiveness of regional financial elements on public services.

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