

## Research Article

# Value for Money Analysis of Bandung City Government Financial Reports 2022-2023

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## Abstract.

The success of regional development highly depends on good and efficient financial management. Effective management reflects accountability and transparency in government, which can be measured through the value for money (VfM) principle with economic, efficiency, and effectiveness ratios. This article aims to evaluate the financial management performance of the Bandung City Government in 2022 and 2023 based on the VfM ratio analysis. Based on the processed regional revenue and expenditure budget (APBD) data, it was found that the economic ratio in 2022 only reached 1.23% and increased significantly to 57.4% in 2023. The efficiency ratio of 2.43% in 2022 experienced a slight increase to 2.6% in 2023. Meanwhile, the effectiveness ratio of 55.9% in 2022 increased sharply to 98.8% in 2023. Although there was a significant improvement in the aspect of effectiveness, the analysis results showed that efficiency still remains the main challenge in financial management. This article also provides practical solutions to overcome these problems, such as improving budget evaluation, implementing a performance-based management system, and optimizing revenue collection strategies through information technology. This is expected to encourage better efficiency and effectiveness of budget management in the future so that it is in line with the VfM principle, which demands the use of funds economically, efficiently, and effectively.

**Keywords:** value for money, regional financial management, Bandung city government

## 1. Introduction

The success of regional development is greatly influenced by how regional financial management is carried out with good management [1] Good financial management is an important component in the implementation of effective governance that is responsive to the needs of the community [2] This management not only includes the effective use of funds, but also becomes a benchmark for government accountability, transparency, and efficiency in managing public resources. Accountability is a form of accountability of the regional government to parties who have political authority [3] As regulated in Government Regulation Number 12 of 2019, regional financial management must be carried out in an orderly, efficient, economical, effective, transparent, and responsible

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manner. The public has the right to information regarding the management of public funds and the government's accountability in managing them, by Law Number 14 of 2008 concerning Openness of Public Information. This is in line with the concept of information transparency explained by Oltman, which includes terms such as "free dissemination of information," "freedom of information access," and "right to know." In Indonesia, this concept is applied in the context of public information transparency, which aims to increase government transparency and accountability to the public. However, regional financial management still faces various challenges that affect the performance of regional governments. In the Summary of Semester Audit Results (IHPS) II in 2023, the Audit Board of Indonesia (BPK) found several problems in the program to increase the quantity and quality of roads managed by regional governments. Some of these include not all regional governments having determined road sections according to the function and class of the road, the lack of guidelines and technical standards for road management, and the absence of guidelines for determining the priority of handling or strengthening roads. In addition, there were also shortcomings in the volume of work, non-conformity of specifications, and problems related to non-compliance, economy, efficiency, and effectiveness with a total value of IDR 226.59 billion. In regional spending management, the BPK also recorded a shortage of work volume and/or goods in 165 regional governments with a value of IDR249.52 billion. In addition, there was a discrepancy in work specifications or work that needed improvement in 118 regional governments worth IDR134.68 billion. Other findings were non-compliance with provisions in 126 regional governments amounting to IDR100.32 billion, as well as waste or expensive prices in 56 regional governments worth IDR86.44 billion BPK, 2023.

The problems revealed by the BPK indicate weak internal supervision and minimal compliance with applicable regulations. In the same case, the Bandung City Government experienced a decrease in opinion from Fair Without Exceptions (WTP) to Fair With Exceptions (WDP) in the 2022 Regional Government Financial Report (LKPD). This decrease in opinion was caused by several important findings, one of which was the problem of recording fixed assets in the form of land, infrastructure, and public utilities worth IDR 3.43 trillion which had not been managed properly. In addition, the low level of budget absorption was also highlighted, with revenue realization only reaching 59.37% of the budget. This low budget absorption indicates that there is suboptimality in the planning and implementation of development programs in the City of Bandung (Bandungbergerak.id).

On the other hand, the limitations of Local Own Revenue (PAD) exacerbate the financial condition of Bandung City. In 2023, PAD only reached 60.86% of the target, making the city heavily reliant on transfer funds from the central government to implement various programs. The Audit Board of the Republic of Indonesia (BPK) also highlighted the lack of transparency and accountability in regional financial management, which diminishes public trust and reduces community participation in the budgeting process (Bandungbergerak.id). This transparency issue becomes even more complex when linked to the quality of financial reports that do not meet standards, directly affecting the local government's ability to provide accurate information to the public.

Based on the audit conducted by the BPK on the financial statements of the Government of Bandung City for 2023, which received an Unqualified Opinion with Exception (WDP) concerning 5,318 financial statement notes, the government presented a balance of fixed assets as of December 31, 2023, amounting to IDR 49.72 trillion. Of this amount, based on the results of the 2023 census, IDR 551.72 billion has not been confirmed by the Asset Management officials regarding its existence. Furthermore, as of December 31, 2023, the BPK could not obtain sufficient and appropriate audit evidence concerning these values due to the unavailability of data and information from the relevant work units. As a result, the BPK was unable to determine whether adjustments to the inaccurate figures were necessary (Audited Financial Statements of Bandung City, 2023).

In a study by [4] the strengthening of internal control was identified as a crucial factor in enhancing transparency and accountability in regional financial management. This research indicates that the presentation of financial reports and the accessibility of information significantly impact the effectiveness of financial management. Furthermore, a study conducted by Yassir, Mursalim, and Asriani Junaid [5] examined the influence of financial accountability, financial oversight, and budget transparency on financial management within the Enrekang District Government. The results of this study suggest that all three factors positively contribute to the quality of regional financial management. This finding underscores the importance of effective oversight of budget accountability reports to ensure that financial information is clearly understood by the public.

What distinguishes this study from previous research is the use of the Value for Money (VfM) approach as a framework for assessing the performance of regional financial management. This concept has evolved in various public finance contexts through the contributions of HM Treasury and the National Audit Office (NAO). Value for Money encompasses three main components: first, the economic aspect, which

means that resource allocation is carried out efficiently; second, the efficiency aspect, which focuses on using resources to minimize costs and maximize outcomes; and third, the effectiveness aspect, which relates to the achievement of established goals and objectives [6] This study will also propose solutions to ensure that the public budget managed by the Bandung City Government provides real and optimal benefits for the community.

The urgency of this research stems from the need to enhance transparency and accountability in regional financial management. In the context of sustainable regional development, regional financial management must be conducted in an orderly manner, adhere to laws and regulations, and apply the principles of efficiency, economy, effectiveness, transparency, and accountability. Additionally, this management must consider the principles of fairness, compliance, and benefits to the community, in line with good governance practices and implemented within an integrated system [4] Therefore, the findings of this study are expected to offer practical recommendations for improving financial governance in Bandung City and strengthening public trust in local government.

## 2. Methods

### 2.1. Research Object

The object of this research focuses on the financial statements of the Bandung City Government in 2022 and 2023 with the assessment of the Supreme Audit Agency (BPK) which obtained the title of Reasonable With Exception (WDP) opinion.

### 2.2. Research Methods

This research uses a descriptive qualitative method to understand and analyze the causes of the decline in BPK's opinion on the financial management of the Bandung City Government to Reasonable with Exception (WDP) for 2 (two) consecutive years, namely 2022 and 2023. The analysis was conducted using the Value for Money (VfM) approach, which includes aspects of economy, efficiency, and effectiveness in regional financial management.

### 2.3. Data Types and Sources

This research utilizes secondary data, including financial reports from Bandung City for 2022 and 2023, such as the Regional Budget Realization Report (APBD) and other documents related to the WDP analysis from BPK. Additionally, relevant supporting documents from academic literature and public audits are also used.

### 2.4. Data Collection Methods

a. Documentation: Data from the Bandung City Government's financial reports for 2022 and 2023, including the APBD Report and APBD Realization Report. In addition, BPK audit result documents that give the WDP predicate are also used as the main data.

b. Literature Study: Literature study was conducted by reviewing relevant literature on local financial management, financial audits by BPK, and the concept of Value for Money in the public sector to strengthen the analysis.

### 2.5. Operational Definition of Variables

The variable in this study is Value for Money, Value for Money is a basic concept in the management of public sector organizations that focuses on three key elements, namely economy, efficiency, and effectiveness [7]

a. Economical

Economics is a comparison between resources and investment value measured in units of money [8]. Economic ratios measure how economically resources are used, by comparing the budget and actual expenditure.

$$\text{Economic ratio} = \frac{\text{Expenditure Realization}}{\text{Expenditure Budget}} \times 100\%$$

Source : Mahmudi, 2019

b. Efficiency

Efficiency is the ability to produce maximum output by using the smallest possible input, or utilizing minimal input to achieve optimal results ([8] An activity is considered

efficient if the goal can be achieved with the least use of resources. Efficiency is measured by comparing between revenue realization and expenditure realization.

$$Economic\ ratio = \frac{Expenditure\ Realization}{Revenue\ Realization} \times 100\%$$

Source : Mahmudi, 2019

c. Effectiveness

Effectiveness is the achievement of planned goals. An activity is considered effective if the implementation process succeeds in achieving the target and the final result is in accordance with the established policy [8].

$$Economic\ ratio = \frac{Revenue\ Realization}{Revenue\ Budget} \times 100\%$$

Source : Mahmudi, 2019

TABLE 1: Penilaian Pencapaian Kinerja.

Performance Criteria	Performance Value	Description
<b>ECONOMICAL</b> $Economic\ ratio = \frac{Expenditure\ Realization}{Expenditure\ Budget} \times 100\%$	a. < 100% b. =100% c. > 100%	a. Economical b. Quite economical c. Not economical
<b>EFFICIENT</b> $Expenditure\ Realization = \frac{Expenditure\ Realization}{Revenue\ Realization} \times 100\%$	a. < 90% b. 90% s.d. 99% c. 100% d. > 100%	a. Very efficient b. Efficient c. Quite efficient d. Not efficient
<b>EFFECTIVE</b> $Revenue\ Realization = \frac{Revenue\ Realization}{Revenue\ Budget} \times 100\%$	a. ≥ 100% b. 85% s.d. 99% c. 65% s.d. 84% d. ≤ 65%	a. Effective b. Quite effective c. Less effective d. Not effective

Source : Mahmudi, 2019

3. Results and Discussion

3.1. Value for Money Analysis

This study uses the accountability report for the implementation of the Bandung City Government Budget for the period 2022 and 2023 to measure government performance using the principle of value for money, namely by using the economic ratio, efficiency ratio, and effectiveness ratio. Details of the Bandung City government APBD data that have been processed by researchers are as follows::

TABLE 2: Bandung City Government Budget Data In 2022.

Details	Budget (IDR)	Realization (IDR)
Revenue	6.695.233.801.429,00	3.748.389.746.565,78
Regional Expenditure	7.283.809.921.094,00	91.130.791.580,00
Surplus/(Deficit)	(588.576.119.665,00)	3.657.258.954.985,78
Financing Revenue	599.481.935.981,00	0
Financing Expenditure	10.905.816.316,00	10.905.810.995,00
Net Financing	588.576.119.665,00	(10.905.810.995,00)
Remaining Over / Under Financing for the Year	599.481.935.981,00	3.646.353.143.990,78

Source: Bandung City Government in 2022, processed by researchers 2024

Table 2 shows that in 2022, the Draft Regional Revenue and Expenditure Budget (RAPBD) was allocated at IDR 7.29 trillion. The regional revenue was budgeted at IDR 6.69 trillion, but only IDR 3.75 trillion was realized. Meanwhile, regional expenditure was budgeted at IDR 7.28 trillion, with only IDR 91.13 billion being realized, indicating a much lower actual expenditure than the budget. Although the budget indicated a deficit of IDR 588.58 billion, the realization showed a surplus of IDR 3.65 trillion. Financing receipts, budgeted at IDR 599.48 billion, were not realized, while financing expenditures, budgeted at IDR 10.91 billion, were almost fully realized at IDR 10.91 billion. Ultimately, there was a surplus financing of IDR 3.65 trillion for that year. The following is the result of the Value for Money ratio analysis:

- Economical =  $X \frac{91.130.791.580,00}{7.283.809.921.094,00} 100\% = 1,23\%$
- Efficiency =  $X \frac{91.130.791.580,00}{3.748.389.746.565,78} 100\% = 2,43\%$
- Efficiency =  $X \frac{91.130.791.580,00-3.748.389.746.565,78}{6.695.233.801.429,00} 100\% = 55,9\%$

TABLE 3: Value for Money Ratio of Bandung City Government in 2022.

Value for Money	Presentation	Results
Economical	1,23%	Economical
Efficiency	2,43%	Efficient
Effectiveness	55,9%	Ineffective

Source: Data processed by researchers, 2024

Table 4 shows the data of the Regional Revenue and Expenditure Budget (APBD) of the Bandung City Government for 2023. In that year, revenue was budgeted at IDR 4.209 trillion, but the actual realization was slightly lower, at IDR 4.078 trillion. The allocation for regional expenditure was IDR 184.9 billion, while actual spending only reached IDR

TABLE 4: Bandung City Government Budget Data for 2023.

Details	Budget (IDR)	Realization (IDR)
Revenue	4.209.255.944.255,00	4.078.506.170.710,00
Regional Expenditure	184.907.230.920,00	106.229.534.673,00
Surplus/(Deficit)	4.024.348.713.335,00	3.972.276.636.037,00
Financing Receipts	529.382.266.241,00	529.382.266.241,01
Financing Expenditures	0	0
Net Financing	529.382.266.241,00	529.382.266.241,01
Remaining Surplus/Short Financing for the Year in Question	4.553.730.979.576,00	4.501.658.902.278,01

Source: Bandung City Government 2023, processed by researchers 2024

106.2 billion, indicating that regional expenditure was lower than the budgeted amount. The difference between revenue and expenditure resulted in a budgeted surplus of IDR 4.024 trillion, with a realized surplus of IDR 3.972 trillion. In terms of financing receipts, the budgeted and realized amounts were almost identical, at IDR 529.3 billion. There were no recorded financing expenditures in either the budget or the realization. Net financing was also budgeted and realized at nearly the same amount, IDR 529.3 billion. Ultimately, there was a budget surplus of IDR 4.553 trillion, with a realized amount of IDR 4.501 trillion. This data indicates that the realization of regional revenue and expenditure was lower than budgeted but still resulted in a significant surplus and financing surplus. The following is the result of the Value for Money ratio analysis:

1. Economical =  $X \frac{106.229.534.673,00}{184.907.230.920,00} 100\% = 57,4\%$
2. Efficiency =  $X \frac{106.229.534.673,00}{4.078.506.170.710,00} 100\% = 2,6\%$
3. Efficiency =  $X \frac{4.078.506.170.710,00}{4.209.255.944.255,00} 100\% = 98,8\%$

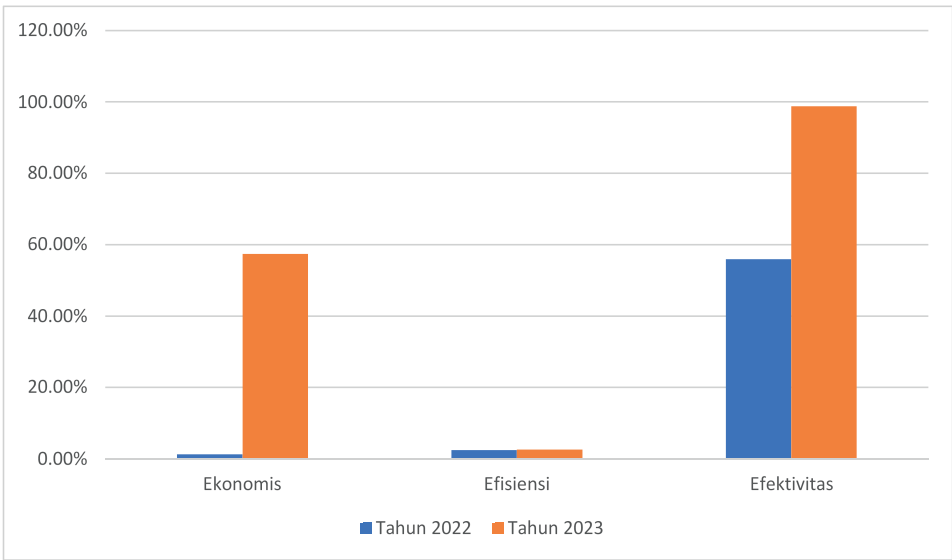
TABLE 5: Rasio Value for Money Pemerintah Kota Bandung tahun 2023.

Value for Money	Presentation	Results
Economical	57,4%	Economical
Efficiency	2,6%	Efficient
Effectiveness	98,8%	Effective

Source: Data processed by researchers, 2024

Based on the analysis of the Value for Money theory in the financial management of the Bandung City Government for the years 2022 and 2023, there were significant differences in the achievement of economy, efficiency, and effectiveness. In 2022, the economy ratio was recorded at 1.23%, indicating that budget realization was still





**Figure 1:** Value for Money Ratio of Bandung City Government Financial Management 2022-2023. *Source: Data processed by researchers, 2024.*

far below the allocated budget. Although there was a slight improvement in 2023, this ratio remained below the expected level, suggesting that the use of the budget was still not optimal. In terms of efficiency, the efficiency ratio in 2022 was 2.43%, signifying that regional expenditure had not been optimized compared to revenue. This condition highlights the government’s inability to maximize the outcomes from the expenditures incurred. Despite a slight improvement in 2023, efficiency remained relatively low. Meanwhile, in terms of effectiveness, 2022 showed an achievement of 55.9%, which, although better than efficiency, was still far from optimal. In 2023, there was a significant improvement in effectiveness, which may have resulted from better revenue collection strategies and optimization of tax and retribution systems. Overall, although there were improvements in some aspects, the financial management of the Bandung City Government still requires more substantial improvements, particularly in efficiency, to align with the Value for Money principles that demand economical, efficient, and effective financial management.

3.2. Solutive Approach to Data Leakage

Table 6 presents the Value for Money (VfM) analysis of Bandung City’s financial management for 2022 and 2023, highlighting several issues that need improvement. In terms of economy, the low economic ratio (1.23%) in 2022 indicates inefficiencies, as the actual budget utilization was significantly below the allocated amount. Proposed

TABLE 6: Problems and Solutions.

Value for Money	Problem Description	Solution
Economical	The low economy ratio (1.23%) in 2022 indicates that budget realization was still far below the allocated budget.	1. Conduct regular budget evaluations to identify and reduce waste. 2. Enhance budget oversight through stricter internal and external audits.
Effeciency	The low efficiency ratio (2.43%) in 2022, with a slight increase in 2023, indicates that regional expenditure has not been optimized in comparison to revenue.	1. implement a performance-based management system to monitor and evaluate expenditures and outcomes. 2. Utilize information technology to enhance efficiency in project management and procurement processes.
Effectiveness	The effectiveness ratio was still suboptimal in 2022 (55.9%), although there was an improvement in 2023.	1. Enhancing revenue collection strategies, such as taxes and levies, through public awareness and education initiatives. 2. Optimizing the tax administration system to minimize leakages and improve taxpayer compliance.

Source: Data processed by researchers, 2024

solutions include regular budget evaluations and enhanced oversight through stricter audits. Regarding efficiency, the low ratio (2.43%) suggests that expenditures were not optimized in comparison to revenue, although there was a slight improvement in 2023. To address this, the implementation of performance-based management systems and the use of information technology are proposed to enhance efficiency in project management and procurement processes. Meanwhile, in terms of effectiveness, although there was a significant increase in 2023, the effectiveness ratio in 2022 (55.9%) remained suboptimal. Proposed solutions include improving revenue collection strategies through public awareness and education, as well as optimizing the tax administration system to minimize leakages and boost taxpayer compliance.

4. Conclusion

The analysis results indicate that Bandung City’s financial management has made efforts to apply the principles of efficiency, effectiveness, and economy, but several shortcomings remain. Challenges such as discrepancies between budget planning and actual execution, suboptimal expenditures, and inadequate oversight have led to inefficiencies in budget management. Therefore, improvements are needed in more measurable

planning, stricter supervision, and more disciplined implementation to ensure that the budget is managed in line with the Value for Money principles.

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