



**THE ETHICS AS A MODERATING AGENT OF RELATIONSHIP  
BETWEEN BOARD PERSONAL CHARACTERISTICS AND REGIONAL  
FINANCIAL SUPERVISION FUNCTION (REGIONAL BUDGET/APBD)**

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**ABSTARCT-** The research aimed at examining the influence of personal characteristics such as the independence, integrity and knowledge on the regional financial supervision effectiveness (APBD) moderated by the ethics.

The research respondents were as many as 115 people. The respondents were the members of the Regional People's Representative Council in the Office of the Regional Peoples's Representative Council, South Sulawesi Province, Office of regional People's Representative Council, Makassar City, Office of Regional People's Representative Council, Wajo Regency. The research instrument used was a questionnaire. The questionnaire had passed the instrument testing stage and was stated valid and reliable to measure all research variables. The research used the quantitative method. The research data were analysed using the multiple regression analysis technique and MRA with the help of SPSS program.

The research result indicates that partially, the independence, integrity and knowledge affect the regional financial supervision effectiveness (APBD). This shows that the better the application of the independence, Integrity, and knowledge, the better the regional financial supervision effectiveness (APBD) in the Offices of the Regional People's Representative Councils of South Sulawesi Province, Makassar City and Wajo Regency. Furthermore, the analysis also indicates that the ethics moderates (strengthens) the effect of the independence, integrity and knowledge on the regional financial supervision effectiveness (APBD). if the application of independence, integrity and knowledge of the self-characters of the council members is supported by the good ethics, it can improve the regional financial supervision effectiveness (APBD).

**Keywords:** Independence, integrity, knowledge, ethics, regional financial supervision effectiveness (APBD).

## **I. INTRODUCTION**

One of the supports of justice in eye distribution of state wealth is the role of government. The central government and local governments must participate in the distribution of the state's wealth. As the law (UU) No. 32 year 2004 is revised into Law No. 23 year 2014 about local government and LAW No. 25 of 1999 which was revised into Law No. 33 year 2004 on financial development between central and local

governments in Indonesia in the implementation of decentralization for regional autonomy.

The government can not close the eye and accept the fact that after several years of implementation of regional autonomy even until now there are still many irregularities in the regional financial control. As the case revealed in the online media (<http://koran.tempo.com>) occurred in one of the regencies in South Sulawesi, the regency of Wajo there is a budget allocation to finance the installation of domestic gas installations in several villages, but apparently in the investigation was found some point unfinished when the budget was melted overall. Of course the case becomes evidence that there is no independence in the performance of each institution's duties and the low oversight of the budget. In fact, legislative which has budget function in accepting budget also has budget function. As Damayanti said (2016) that mirrors in the era of the new order of legislative access are still very limited which means it is still dominated by executives. In the case of such deviation it is not undeniable that the case proves the lack of ethical values in the taking of the legislator in the conduct of the DPRD. In addition to that, Damayanti (2009) said that extravagance so as not to value money (value of money).

The budget can not be seen as a stand alone, because the budget is a policy that can be controlled and controlling the behavior of human beings involved therein, as revealed by Syarifuddin (2009), regarding the construction of budget policy that accounting is necessary to understand the understanding of human beings as perpetrators. Agency relationships elicit opportunistic behavior as expressed in the LATIFA study (2010). The budget itself cannot be separated from the accounting policy, as disclosed by Syarifuddin (2017) that the accountant formulates accounting policies with the elements of power and politics. Opportunistic behavior that emerged because budget was used as an abject for the scramble of interests between executives and legislative (Sujaie, 2013). Parwati (2015) revealed that although a formal budget-level mechanism has been governed in legislation, it still encountered some irregularities such as budget allocation for politicians interests.

Ethical concepts cannot be missed in the process of supervisory legislative members against the budget. Hastianto (2017) finds that ethics will lead bureaucrats in making decisions to party the truth. Ethics becomes very important in the government including in the soul of legislation, because it given high moral awareness in carrying out its duties and responsibilities, so that honesty, truth, and justice can be realized (Nasrudin and Hartati, 2017:13). The position of PARLIAMENT in holding the function of budget and supervision is expected that the budget that has been proposed by the local government can be analyzed by the DPRD carefully. The implementation of regional autonomy becomes the guidance that good governance must be created in the Government's implementation by promoting the independence, integrity and knowledge of the DPRD in carrying out its functions, special supervision. Ethics is also a consideration of the realization of good governance in the governance of the

government. Ethics determines the behavior of the DPRD members in performing its performing in functions as a regional and regional budget controller (Suhaimi, 2016). In general, according to UU RI Bab VI Pasal 20A Clause 1 explained that the DPR including DPRD has function legislative, budget function and supervision function. In this study, the DPRD function will be discussed in the function of supervision. A crucial issue is whether the knowledge of independence and integrity is based on the supervision of budget budgets conducted by the DPRD. The importance of behavioral aspects in the budget process, especially in the budget surveillance process, cannot be separated from the ethical importance of mobilizing the behavior of board member (legislative).

In the concept of attribution, the behavior of the persons is driven by internal and external factors. One side used in this research is the internal factor or behavior that is influenced within oneself. In this research the conduct was adopted, namely independence, integrity and knowledge of the budget (Coryanata, 2007; Pradana, 2015; Juliarsa, 2014). Independence indicates no alignments towards an interest that only benefits his or her personal or one group. Integrity demonstrates how understanding the board members budget in the supervisory process where the three are identified by seeing whether irregularities occur or are already running as it should.

As for ethics is the urge to do something that is considered good. Ethics becomes a moderation variable in this diffuser because ethics demonstrates the urge to do something that can be positive or negative. So this research can reveal whether ethics strengthens the relationship of independent variables i.e. independence, integrity and knowledge with the dependent variable of regional financial supervision (APBD) (Pradana, 2017). This research raises the value of integrity associated becomes a good example. Likewise, with the board members in this case their legislatures are the leaders who are representatives of the people who must keep the trust of all the people. In some research studies, such as the research conducted by Winarna and Murni (2007), Murtin and Darpito (2011), Werimon, Ghazali and Nazir (2007) and Coryanata (2007) found that the DPRD's knowledge of the budget has a positive effect on regional financial supervision. In addition, research conducted by Pradana (2017) on the relationship between integrity and performance with ethics as a moderate-being, finds that integrity affects performance and the relationship between integrity and performance with ethics as a moderate. While the research conducted by Futria and Juliarsa (2014) on the relationship between independence and the quality of performance and the relationship between independence and quality of performance with ethics as a moderate, it finds that the independence has a significant effect on the quality of performance and the relationship between independence and performance quality with ethics as a moderate and significant effect.

This research was conducted at the DPRD office of South Sulawesi Province, Makassar City and Wajo regency. As for the research conducted to seek the relationship of independence, integrity and knowledge with the effectiveness of regional financial

supervision (APBD) in addition this research seeks the relationship of independence, integrity and knowledge with the effectiveness of regional financial supervision (APBD) With ethics as a moderate. So in this case the purpose of this research is, (1) to know whether the independence of the Board has an effect on the effectiveness of regional financial supervision (APBD), (2) to know if the integrity of the Board has an effect on the effectiveness of regional financial supervision (APBD), (3) to know if the board's knowledge affects the regional financial effectiveness (APBD), (4) to know if the ethics moderate the relationship between the independence of the Board on the budget with the effectiveness of regional financial supervision (APBD), (5) to find out if ethics moderate the relationship between Council integrity on the budget with the effectiveness of regional financial supervision (APBD) and (6) to know whether the ethics moderate the relationship between Council knowledge in the budget with the effectiveness of regional financial supervision (APBD).

## II. LITERATURE REVIEW

The research is related to attribution theory. This theory was first introduced by Freitz Haider (1958). Weiner says that attribution theory is the influential theory of implication for the academy's motivation. In an attribution theory according to Kelly (1972-1973) stating the we conclude internal and external causality with respect to 3 things, whether other act just like a person?, do people act similarly to other situations?, and whether the person acted the same in another situation at the time. Attribution theory is a theory used to explain the causes of behavior.

According to Weiner (1985) that this theory mencakup behavioral modification that emphasizes the idea that a person in highly motivated by behavior that can make them selves fell good and calm. This theory is an combination of psychological theory, motivation and attribution research. Attribution theory refers to the creation of an event based on individual perception. The attribution model of the cultivation has several components, most importantly of the relationship between attribution, feeling and behavior. According to Weiner (1985), important internal and external factors affect attribution there are four namely, ability, task difficult, effort and luck. In this study a factor of attribution that is raised is a factor of internal or a factor that comes from within oneself that encourages to behave. Among other internal factors referred to in this research are knowledge that results in ability to behave (ability), while independence, integrity and ethics is an effort to consider and maintain a well-regarded behavior (effort), in which both internal factors will have an impact on the effectiveness of board members supervision over the Finance (APBD).

The independence concept explains that the expected attitude has no interest in the performance if its duties, contrary to the principle if integrity and objectivity (Desyant, 2008). Sawyer (2005) independence must be owned to fulfill its professional obligation in the conduct of tasks of functions and to report issues of what is not reporting on the wishes of executives or institution. Independence in this case

exercised the function of regional financial supervision (APBD), implemented of its duties. In the independence control function it is very important to ensure that the budget that has been compiled until the evaluations stage is running according the planning and at the pre-defined portion.

In this research the integrity is lifted in line with Islamic values. Integrity is an element of character that underpins the public belief and is the quality that underpins public trust and is a benchmark for members in testing all of the decisions he takes (Pradana, 2015). Integrity encompasses honest and frank attitudes without compromising the secret of service recipients, service and public trust not to be defeated by personal gain. In an Islamic perspective, a leader who as given a trust should keep his honesty. In relation to Islamic values, there are 4 characters that must be possessed, namely, Ash-Shidqul Muthlaq (shiddiq) which means true, not just words but also the deeds. Al-Iltizamul Kamil (Amanah) which means the information obtained is conveyed without any hidden. And the last Al-Aqlulazim (Fathonah) means intelligence.

The knowledge referred to in this research is the board's knowledge of budgeting mechanisms ranging from the planning phase to the accountability level and the board's knowledge of the legislation governing the regional finance/APBD (Goddess, 2011). Knowledge is a perception of budget (RAPBD/APBD) and detection of waste or failure and budget leaks. Members of the DPRD will be able to exercise their rights appropriately, perform their duties and obligations effectively and place their position proportionally if they have sufficient knowledge in terms of technical misconception of government and public policy (Yudono, 2002). With knowledge it can detect the occurrence of waste and budget leakage. According to Arianti (2017), to produce good performance in the financial supervision of the district (APBD), members of the board should equip him with a knowledge of the overall budget and increase knowledge about the mechanisms of surveillance on the implementation of regional finance (APBD).

The concept of ethics relates to the critical moral reality and in the study of ethics means a branch of science describing the conduct or deeds of man in relation to the good and the bad (Tanheed, 2014). Ethics comes from the Greek "ethos" which means good custom/habits. Ethics is a good habit and a deal is taken on the basis of good and true (Tanheed, 2014).

Supervisions is defined as a process to ensure that organizational and management objectives can be achieved. Regional financial supervision can be interpreted as any from of action to ensure that the management of the regional finance is in accordance with the objectives, plans and rules that have been outline (Goddess, 2011). So, supervisory function that must be done by the DPRD members in ensuring the financial progress of the district (APBD) effectively, efficient and economical and according to the planning. The DPRD supervision function authorizes the supervision of executive performance in the implementation of the APBD. In this situation, DPRD

members are required to have the ability to be involved in the budget process in the area so that the DPRD can work effectively to supervise the implementation of the budget. So supervision is needed to know whether the planning that has been compiled can run efficiently, effectively and economically.

### III. HYPOTHESIS

H1 : Council independency positively affects the effectiveness of regional financial supervision (APBD)

H2 : Council integrity positively affects the effectiveness of regional financial supervision (APBD)

H3 : Council knowledge affects positively on the effectiveness of regional financial supervision (APBD)

H4 : Ethics moderate the relationship between council integrity and the effectiveness of regional financial supervision (APBD)

H5 : Ethics moderate the relationship between council knowledge and the effectiveness of regional financial supervision (APBD)

### IV. METHODOLOGY

The study aims to test hypotheses describing the influence of independence, integrity and knowledge of the effectiveness of regional financial supervision (APBD) and test the ethical influence on the relationship between independence, integrity, knowledge with the effectiveness of regional financial supervision (APBD) so that this type of research hypothesis test. The approach used in this study is a quantitative research approach. The nature of this research is correlation. This research was conducted at the DPRD office of South Sulawesi Province, Makassar City and Wajo regency. This research was done by spreading the questionnaire to the respondent. Tests ranging from validity and data reusability test, classical assumption test and multiple regression test and moderated regression analysis (MRA). As for data analysis using SPSS program.

### V. DISCUSSION RESULTS

From the results of the data processing is obtained:

1. The known independence variable value T count (2.665) is greater than the T table (1,98099) ATA can be seen the significance value  $0,009 < \alpha = 0.05$ . therefore H1 accepted means the independence is positively and significantly influential towards the effectiveness of regional financial supervision (APBD).
2. Known integrity variable value T count (2.360) is greater than the value of T table (1.98099) or can be seen value of significance  $0.020 < \alpha = 0.05$ . therefore H2 means that integrity has a positive and significance influence over activity of the regional financial supervision (APBD).

3. Known knowledge variable value T count (3.945) is greater than the T table (1.98099) or can be seen significance value  $0.000 < \alpha = 0.50$ . therefore H3 is accepted meaning that the knowledge has a positive influence and a significant impact on the effectiveness of regional financial supervision (APBD).
4. Ethical variables as a known moderate-value-t-count (2.116) is greater than the T table (1.98238) or can be seen the value of significance  $0.037 < \alpha = 0.05$ . Therefore H4 accepted means ethically moderate the independence relationship with the effectiveness of regional financial supervision (APBD). Or in other words a positive value and significance means ethics strengthening the independence relationship with the effectiveness of regional financial personnel (APBD).
5. Ethical variables as a known moderate-value t-count (2.020) is greater than the T table (1.98238) or can be seen the value of significance  $0.046 < \alpha = 0.05$ . therefore H5 accepted means the ethics of moderate integrity relations with the effectiveness of regional financial supervision (APBD). Or in other words, the positive value of the ethics means strengthening the integrity relationship with the effectiveness of regional financial supervision (APBD).
6. Ethical variables as a known moderate-value t-count (2.388) is greater than t table (1.98238) or can be seen the value of significance  $0.019 < \alpha 0.05$ . therefore H6 accepted means ethically moderate the knowledge relationship with the effectiveness of regional financial supervision (APBD). Or, in other words, positive value and significance means ethics strengthening the relationship of knowledge with the effectiveness of regional financial supervision (APBD).

## VI. CONCLUSION

Variable independence that is independence, integrity and knowledge effect positively and significance towards the effectiveness of regional financial supervision (APBD). That means the better application of independence, integrity and knowledge of the board about the budget, the better the effectiveness of regional financial supervision (APBD). Either it is partially or simultaneously acquired that independence variables have a positive and significance effect on the dependent variables.

Moderation variables are also moderating (strengthening) the relationship between independence, integrity and knowledge to the effectiveness of regional financial supervision (APBD). This is achieved due to positive and significant result. Even better the ethid of board members, the better the application of independence, integrity and knowledge in realizing the effectiveness of regional financial supervision (APBD)

## VII. IMPLICATIONS

The results of this study can give implications to the organization especially for legislative agencies to be able to consider and conduct training related to the application of independence, integrity and knowledge about the budget and provide a working

environment that can support it's application to maximize the effectiveness of regional financial supervision (APBD)

### **VIII. LIMITED RESEARCH**

The study is not detached from the various limitations. As for the limitations experienced by researchers, among others:

1. The questionnaire used in this study is not separated from biased perception because there is a chance that respondents did not fill the questionnaire seriously.
2. The shared questionnaire is only given to one of the trusted person, then directly distributed.
3. The hustle and bustle of the respondent and the filling time is just over a mount, so many questionnaires are returning or unfilled.

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