

# Analysis of Financial Administration Management at the Murhum District Office, Baubau City

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## Abstract

This study investigates the financial administration practices at the Murhum District Office, Baubau City, using a qualitative descriptive approach aimed at understanding the implementation of regional financial governance in line with national regulations. The research involved a total of 20 staff members, with purposive sampling of three employees directly involved in financial administration. In addition, financial documents from the years 2020 to 2022 were analyzed to complement the primary data. Data collection methods included direct observation of financial procedures, in-depth interviews with selected financial staff, and document analysis to validate the implementation process. The findings show that the financial administration at the Murhum District Office is carried out in accordance with Minister of Home Affairs Regulation No. 13 of 2006 and its amendment No. 59 of 2007, which outline the principles and procedures of regional financial management. The administrative process covers key components such as financial planning, budgeting, execution, monitoring, and accountability. Notably, the budgeting process reflects a balanced alignment between projected revenues and expenditures, demonstrating efficient financial planning. The study also emphasizes that the financial activities are consistent with the objectives of Law No. 32 of 2004 concerning Regional Government, particularly regarding the transparent and accountable use of the Regional Income and Expenditure Budget (APBK). Overall, the research concludes that the financial administration system in the Murhum District Office is well-organized, legally compliant, and contributes positively to the realization of good governance practices at the local level.

## 1. Introduction

The enactment of Law No. 32 of 2004 on Regional Government and Law No. 33 of 2004 on the Financial Balance between Central and Regional Governments has granted broader autonomy to regional administrations in managing financial resources. This autonomy includes the authority to determine funding sources, budget allocations, expenditure targets, and development priorities, thereby reinforcing the decentralization agenda in Indonesia.

Financial administration is a critical pillar of public governance, as every government program requires effective and accountable financial planning, execution, and evaluation. At both national and regional levels, strategic financial management is necessary to ensure the efficient allocation of resources in line with policy goals and to support optimal public service delivery. As such, the Regional Revenue and Expenditure Budget (APBD) functions as a key policy instrument, providing a legal-

operational framework for budgeting and expenditure. Minister of Home Affairs Regulation No. 13 of 2006 and its amendment No. 59 of 2007 emphasize transparency, accountability, and performance-based budgeting as fundamental principles in regional financial management.

In practice, however, many local government units still face significant challenges in implementing effective financial administration. Previous studies (e.g., Setiawan & Firmansyah, 2019; Hidayat, 2021) have highlighted common issues such as inadequate human resources, lack of technical capacity, and weak internal controls as major barriers to efficient financial management at the sub-national level. Nevertheless, limited research has been conducted specifically at the sub-district (kecamatan) level, particularly in Eastern Indonesia, including Baubau City.

At the Murhum Sub-district Office, financial administration encompasses key stages: planning, budgeting, implementation,

reporting, and evaluation. Preliminary observations indicate persistent inefficiencies, likely due to limited human capacity and infrastructure. However, no prior studies have systematically evaluated how these factors influence financial management effectiveness at this administrative level.

This study seeks to fill that gap by assessing the financial administration practices at the Murhum Sub-district Office, evaluating their alignment with applicable regulations, and identifying key internal and external factors that affect their performance. The findings aim to contribute both practically—by offering recommendations for improving local financial governance—and theoretically—by extending the literature on public financial administration in decentralized government systems. In doing so, this research provides a new perspective on sub-district-level financial management in Indonesia, which remains underexplored in current academic discourse.

## 2. Literature Review

### 2.1 Financial Management

Financial management refers to the strategic planning, organizing, directing, and controlling of financial activities such as the acquisition and utilization of funds. It plays a central role in ensuring that resources are allocated efficiently to support the achievement of organizational objectives. In the context of private sector organizations, Sutrisno (2012: 24) states that the goal of financial management is to increase shareholder wealth, as reflected in rising stock prices, which are influenced by investment decisions, financing strategies, and dividend policies.

However, within public sector organizations such as government institutions, financial management is oriented toward the effective and accountable use of public funds. It focuses on ensuring that all financial activities—ranging from budgeting, expenditure, to financial reporting—are conducted transparently and in accordance with regulatory frameworks. Public financial management is also closely tied to the

realization of good governance principles, particularly in delivering services to the community and achieving development targets (Marsuni, 2018).

### 2.2 Financial Administration

Financial administration is a set of organized processes involving the planning, allocation, utilization, recording, and reporting of financial resources within an organization. It ensures that financial operations are executed systematically and in accordance with applicable regulations. According to Sutrisno (2019: 59), financial administration includes various activities such as budgeting, determining funding sources, setting methods for fund usage, and maintaining financial documentation.

Fahmi (2015: 1) describes administration as the foundational structure that enables coordination among components within an institution to achieve common objectives. In the realm of financial administration, this coordination ensures the accurate and efficient management of public funds. It involves maintaining accountability through timely reporting, compliance with budgeting procedures, and proper documentation of financial transactions. Effective financial administration is essential not only for financial transparency but also for supporting decision-making processes and enhancing institutional performance.

## 3. Research Methods

### 3.1 Data Collection

The population in this study includes all data and personnel involved in financial administration at the Murhum Sub-district Office in Baubau City. The sample consists of financial administration documents from the fiscal years 2020 to 2022 and three selected employees from the financial division. The sampling technique used is **purposive sampling**, which is appropriate when participants or data sources are selected based on their relevance to the research objectives (Sugiyono, 2017). This method allows the

researcher to focus on key informants and documents directly related to the issues under investigation.

### 3.2 Data Collection Methods

This study employed three main methods of data collection: **observation**, **interviews**, and **documentation**, following the guidelines of Moleong (2019) on qualitative research data collection.

- **Observation** was conducted by directly observing the day-to-day financial administration practices at the Murhum Sub-district Office. This method enabled the researcher to understand actual practices and behavior in the workplace, capturing procedural nuances that may not be documented (Spradley, 1980).
- **Interviews** were conducted with three employees in the financial department using a **semi-structured format**. This approach provides flexibility to explore specific issues while maintaining thematic consistency (Creswell, 2014). The interviews focused on the implementation, challenges, and compliance aspects of financial administrative processes.
- **Documentation** included the collection and analysis of official documents such as budget plans, expenditure records, financial reports, and accountability reports from 2020 to 2022. Documentation serves as secondary data that supports the validity of findings from observation and interviews (Bogdan & Biklen, 1992).

### 3.3 Data Analysis Technique

The data were analyzed using **descriptive qualitative analysis**, which involves data reduction, data presentation, and conclusion drawing (Miles & Huberman, 1994). The researcher systematically organized and categorized data from all sources, then compared them against theoretical frameworks and regulations—specifically **Minister of Home Affairs Regulation No. 13 of 2006** and its amendment **No. 59 of 2007**—to assess the

level of compliance and administrative performance.

To enhance **data validity and credibility**, the study applied **triangulation**, a process of cross-verifying information from multiple sources and methods (Patton, 2002). Triangulation helps reduce bias and increase the trustworthiness of the findings by ensuring consistency across different forms of evidence. The analysis aimed to identify patterns, discrepancies, and gaps between the actual practices observed and the expected financial administration standards.

## 4. Results and Discussion

### 4.1 Research Results

The financial management at the Murhum Sub-district Office in Baubau City begins with budget planning based on the vision and mission of the local government. Programs outlined in the Strategic Plan (Renstra) and Work Plan (Renja) are proposed in the Regional Development Planning Meeting (Musrenbang) and incorporated into the RKA-SKPD. Once approved by the Regional People's Representative Council (DPRD), the document becomes the Budget Implementation Document (DPA-SKPD). The managed programs include:

- a. Support for Local Government Affairs.
- b. Government Administration and Public Services.
- c. Coordination of Public Order and Safety.

This process ensures the budget is achieved and finalized as the APBD after evaluation by the head of the region, as explained by Mr. Adi Saputra in an interview:

*"The budget planning for the sub-district government's performance starts with the programs that have been developed to create the Strategic Plan (Renstra), which then becomes the Work Plan (Renja). This is aligned with the vision and mission of the regional leader. The budget is then included in the Budget Implementation Document (DPA) and incorporated into the draft regional budget (Raperda APBD), which will be evaluated by the regional leader and then ratified into the final APBD"*

The budget at the Murhum Sub-district Office in Baubau City is used for expenditures, including replacement money and additional funds. Replacement money is for expenses that have already been spent and are reported monthly as requested by the office, while additional funds are used when the replacement money is insufficient. The expenditure process involves inputting each transaction, whether for replacement or additional funds, into the regional application system, based on receipts. These expenses may include taxes such as PPH 21, 22, 23, 24, and other related taxes, which must be deposited as stated on the receipts. Additionally, receipts must be accompanied by supporting documents such as attached notes, receipts, SK, and SPPD. The process also includes disbursement, as confirmed in an interview with Mr. Asrul, the sub-district head:

*"In terms of implementation, the use of the budget typically involves both replacement and additional funds. For example, if a sub-district program has already been implemented but the funds are not yet available, it is referred to as replacement money. The opposite applies for additional funds for the program. Each stage is reported in detail, and the expenses must be calculated and accompanied by a receipt, after which the funds are disbursed."*

The next process is reporting, which includes accountability. The reporting refers to the preparation of financial reports by the accounting department. As explained by Mr. Asrul, the Sub-district Head, he stated:

*"In reporting, all transactions related to income, expenditure, and financing will be recorded by the accounting department, starting from journal entries until the financial statements and accountability reports are prepared"*.

The reporting procedure at the Murhum Sub-district Office involves several steps: the treasurer creates a receipt for each transaction, followed by preparing an accountability report based on the transaction evidence. This report is then submitted to the Technical Activity Officer for review and alignment with activities. If the report is correct, it is forwarded to the

Financial Management Officer for further processing. The treasurer then prepares monthly or annual reports, which are submitted to the Sub-district Head for approval. Once approved, the reports are sent to the Regional Financial Management Agency. These financial reports are prepared following government accounting standards, including monthly accountability reports and annual financial reports (LAKIP), ensuring the accuracy of budget execution, financial position, and compliance with accrual-based accounting standards. This process was confirmed in an interview with Mr. Adi Saputra, Head of the Planning, Evaluation, and Reporting Sub-section:

*"Regarding financial accountability, it is reported monthly through a Letter of Accountability (SPJ). At the end of the year, the accountability report is in the form of a Performance Accountability Report, called LAKIP. All of this is managed by the treasurer"*

Supervision of the sub-district government is carried out through direct supervision by superiors in accordance with applicable regulations. At the Murhum Sub-district Office in Baubau, supervision is conducted both internally and externally. Internal supervision involves direct oversight of public services by superiors or functional supervisors, following legal regulations. External supervision is carried out by the public through reports or complaints about the delivery of public services. Additionally, the People's Representative Council, Regional People's Representative Council, and Regional People's Representative Council of the Kabupaten/City also conduct external supervision as per the relevant regulations. This process was confirmed in an interview with Mr. Adi Saputra, Head of the Planning, Evaluation, and Reporting Sub-section:

*"In its supervision, both internal and external methods are used. For example, during reporting and accountability, the responsibility is handed over to various agencies, such as the Inspectorate, which is one of the key institutions responsible for inspection and supervision"*



Here is the income and expenditure budget for the Murhum Sub-district Office for

the years 2020-2022, as shown in the following table

**Tabel 1. The Income And Expenditure Budget Of The Murhum Sub-District Office**  
**Tahun 2020-2022**

No.	Description	Year	Budget (Rp)	Realization (Rp)	Variance (Rp)	Percentage (%)
1	Total Revenue	2020	4.938.876.449	4.845.490.937	93.385.512	98,11
		2021	5.430.122.870	5.201.553.067	228.569.803	95,79
		2022	5.526.001.986	5.702.131.965	176.129.979	103,19
		Average			<b>166.028.431</b>	<b>99,03</b>
2	Total Expenditure	2020	4.811.345.977	4.610.119.206	201.226.771	95,82
		2021	5.158.439.552	5.021.890.430	136.549.122	97,35
		2022	5.206.727.482	4.920.442.200	286.285.282	94,50
		Average			<b>208.020.391</b>	<b>95,89</b>

Source: Murhum Sub-district Office, Baubau City

## 4.2 Research Discussion

Based on the results of field research, the financial management at the Murhum Sub-district office in Baubau City is generally running well, starting from planning, budgeting, implementation, supervision, and accountability. According to Law No. 32 of 2004 on Regional Government, the regional income and expenditure budget (APBK) is defined as the financial operational plan of the regional government, where one party outlines the expenditure plans to finance local activities and projects within a specific fiscal year, and the other party outlines the estimated revenue and sources of regional income to cover these expenditures.

### a. Planning

The financial management planning at the Murhum Sub-district office in Baubau City begins with each higher-level agency leader directing lower-level leaders in the office to create a list of programs/activities to be implemented in the upcoming year based on their respective duties, functions, and authorities. This planning is done while considering programs that align with the vision and mission of the regional government, which has been set for a 5-year period. Subsequently, a Work Plan (Renja) for the 1-year period is drafted.

This process is in line with the Ministry of Home Affairs Regulation No. 13 of 2006 concerning the Guidelines for Regional Financial Management. The regional financial planning aims to ensure that the entire process of preparing the regional income and expenditure budget (APBD) clearly reflects the background for decision-making in determining the direction of general policies, priority scales, and the allocation and distribution of resources, involving public participation.

### b. Implementation

The implementation of financial management at the Murhum Sub-district office in Baubau City involves utilizing the budget for various expenditures, including reimbursements and additional payments, through specific administrative procedures. This aligns with the Ministry of Home Affairs Regulation No. 13 of 2006 on Guidelines for Regional Financial Management. The budget implementation refers to the planned revenues and expenditures of the local government for a fiscal year, as set by regional regulations. Financial management is based on the principles of transparency, accountability, and participation, and is carried out in an orderly and disciplined manner. Effective financial implementation enhances understanding of financial duties, functions, technicalities, mechanisms, and procedures, ensuring a well-organized financial system.

### **c. Reporting**

All transactions related to revenue, expenditure, and financing are recorded by the accounting department, starting from journal entries to the preparation of financial reports and accountability statements.

This aligns with the Ministry of Home Affairs Regulation No. 13 of 2006 concerning the Guidelines for Regional Financial Management. Financial reporting is a key mechanism for ensuring and guaranteeing accountability in financial management, as emphasized in the principles of financial management (specifically the principle of accountability). The essence of reporting is that financial management can be accountable from various perspectives: legal, administrative, and moral. Therefore, the reporting of financial management becomes the government's obligation as an inseparable part of public administration.

### **d. Accountability**

Accountability in financial management at the Murhum Sub-district office in Baubau City is carried out through monthly budget realization reports, which must be submitted no later than 10 days after the end of each month. Annual reports (LAKIP) are prepared at the end of each year, no later than 2 months after the fiscal year ends.

These financial reports are prepared based on an adequate internal control system, and they provide information on budget implementation, financial position, and notes on the financial statements in accordance with Government Accounting Standards based on accrual accounting.

This is in line with the Ministry of Home Affairs Regulation No. 13 of 2006 concerning Guidelines for Regional Financial Management. The accountability report essentially reflects the realization of the APBD (Regional Income and Expenditure Budget), which is submitted by the head of the office or treasurer after the fiscal year ends on December 31 each year. The accountability report must be submitted by the

head of the office or treasurer no later than the end of January of the following year.

As stated by Siswati Wardiningdyah (2022:14), accountability is the final and equally important cycle in the financial management process. It is a manifestation of fulfilling responsibilities and serves as evidence of the government's achievement in development. The public and all stakeholders naturally expect high-quality accountability for the use of funds as reflected in the government's financial reports.

### **e. Supervision**

Supervision of the sub-district government is carried out through direct supervision by superiors in accordance with applicable regulations. At the Murhum Sub-district office in Baubau City, supervision is conducted both internally, by superiors and functional supervisors in accordance with relevant laws, and externally, by the public through reports or complaints about public service delivery. In addition to the public, the People's Representative Council (DPR), the Regional People's Representative Council (DPRD), and the Regional People's Representative Council at the district/city level also conduct external supervision in accordance with applicable regulations.

This is in line with the Ministry of Home Affairs Regulation No. 13 of 2006 on Guidelines for Regional Financial Management, where supervision is a process aimed at assisting, measuring, and, if necessary, making improvements to the implementation of tasks, ensuring that what was planned is carried out according to the desired objectives. This also aligns with Siswati Wardiningdyah's (2022:14) view, where supervision of the implementation of the national/regional budgets (APBN/APBD) is carried out by superiors, heads of offices, units in ministries, government agencies, or local governments within their respective environments.

Based on the research findings, the budget variance for the income of the Murhum Sub-district office in Baubau City from 2020 to

2022 shows an average of 99.03%, or IDR 166,028,431. This result can be considered unsatisfactory because the sub-district government was unable to meet the revenue target or budget that was set. The sub-district government would be considered to have good revenue performance if it can generate income that exceeds the allocated budget. Achieving the revenue target is possible when a goal is planned and collectively agreed upon, ensuring that the set objectives are internalized, and individuals take personal responsibility for achieving them. Moreover, each person plays an active role in optimizing efforts to improve performance in line with the targeted budget. This aligns with Mahmudi's (2016:139) view that good revenue performance is demonstrated when income exceeds the budgeted amount.

Next, the budget variance for the expenditures of the Murhum Sub-district office in Baubau City from 2020 to 2022 is considered good because the actual spending did not exceed the allocated budget. In 2020, the expenditure variance was 95.82%, and there was an improvement in 2021 with a spending variance of 97.35%. However, in 2022, there was a decline, with an expenditure variance of 94.50%. To prevent further decline, it is recommended that the sub-district government take a more collaborative approach to planning expenditures, ensuring the work plan is developed carefully and thoroughly, making it more programmatic and comprehensive. This aligns with Mahmudi's (2016:155) perspective that if there is an overspend (actual expenditure exceeds the allocated amount), it indicates poor financial performance in terms of expenditures. Conversely, if there is underspending (actual expenditure is less than the allocated budget), the regional financial performance can be considered good.

The results of this study are in line with previous research conducted by Wahidin Niken Kusumadewi (2016), who stated that the government's performance in managing its income is considered good. This is evidenced by the income variance, which shows that the local

government was able to achieve revenue beyond what was initially budgeted.

## **5. Closing**

### **5.1 Conclusion**

Based on the findings of this study, it can be concluded that the financial administration management at the Murhum Subdistrict Office in Baubau City has generally followed the applicable regulations, particularly the Ministry of Home Affairs Regulation No. 13 of 2006 concerning Guidelines for Regional Financial Management. This includes key processes such as planning, budgeting, implementation, supervision, and accountability.

The effectiveness of financial management is reflected in the consistent and near-optimal realization of budgeted revenues and expenditures over three years, with average realization rates of 99.03% for revenues and 95.89% for expenditures. These outcomes indicate a high level of budget discipline and procedural compliance, although some variances remain.

Furthermore, according to Regulation No. 59 of 2007, performance is determined based on measurable outputs. The findings of this research suggest that the Murhum Subdistrict Office demonstrates a moderate level of financial performance, but improvements are still needed in reporting accuracy and documentation completeness.

### **5.2 Suggestion**

1. The Murhum Subdistrict Office is encouraged to enhance financial management practices, especially in the budget formulation stage, by ensuring the inclusion of comprehensive elements such as budget realization reports, operational reports, equity changes, balance sheets, and explanatory notes.
2. It is recommended to improve the capacity of financial personnel through regular training and ensure the consistent use of regional financial information systems to minimize reporting errors.

3. To strengthen accountability, internal supervisory mechanisms should be intensified, and coordination between the planning and financial units should be improved to ensure better alignment of budget execution with initial plans.
4. Future researchers are advised to broaden their data sources and methods, including conducting more in-depth interviews and direct observations to gain a deeper understanding of actual financial management practices.

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