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The Role of Value For Money in Public Sector Financial Performance

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Abstract

This study aims to determine the role of value for money in the performance of the public financial sector. Value for money is a management concept of public sector organizations which is based on three main elements, namely economy, efficiency, and effectiveness. The type of research used in this study uses qualitative methods. Data obtained through interviews, observation, and document studies, as well as case studies. The results of the study reveal that the results of the observations made explain inequality and the threat of the concept of the value of money that affects the performance of the public financial sector. To ensure the implementation of public responsibility by government agencies, it is necessary to improve the system, not only conventional audits but also value for money in conventional audits.

Keywords: *Value For Money, Measurement, Performance, and public Financial sector*

INTRODUCTION

The development of public sector accounting in Indonesia has progressed rapidly along with the implementation of regional autonomy. The role of value for money in performance indicators of priority budget implementation plays a very important role. First, increasing the efficiency and effectiveness of activities through controlling the bill settlement target indicators. By accelerating the settlement of bills, it is hoped that the realization can be quickly absorbed and distributed to the beneficiaries who are entitled and will not accumulate at the end of the fiscal year. Efficiency and effectiveness are also carried out through indicators of setting targets for the realization of work units. With targets that have been determined every quarter and can be adjusted as an indicator of target-realization setting, the work unit can be disciplined in realizing its budget, so that budget absorption will be more efficient and effective. Economicization is related to the achievement of activity outputs through output achievement indicators. The higher the percentage of budget realization, the same as the percentage of output produced, so that the output of activities produced by government work units can work to serve or provide public goods/services (Public Goods).

According to (FJ Pribadi, T Ratnawati, 2020) health services for JKN participants must also pay attention to quality, be oriented towards aspects of patient safety, action effectiveness, suitability of patient needs, and cost efficiency. Of course, this problem must be addressed wisely by hospitals, both private hospitals, government hospitals and health facilities that work with BPJS Health, so that they do not experience a collapse in their service operations.

Through Good Financial Governance which is actually the implementation of Good Corporate Governance as the use of resources effectively and efficiently, transparency and accountability in financial management in the application of risk management in order to increase stock returns. Another policy undertaken by the company to increase stock returns is a funding policy aimed at finding alternative sources of funds to be used to finance the company's operational and investment activities.Ratnawati, T., & Moehaditoyo, SH (2019)

Corporate Governance is a system that directs and controls the company with the aim of achieving a balance between the power of authority required by the company, to ensure its continued existence and accountability to stakeholders. This relates to the regulatory authority of owners, directors, managers, shareholders and so on (H Widiastoeti, T Ratnawati, M Nugroho, 2021).

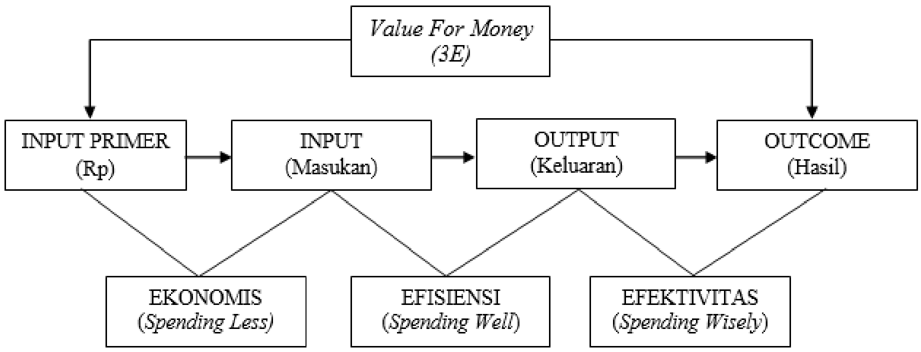

Figure 1. Value For Money (VFM) measurement

a. Input is a resource used for the implementation of a policy, program and activity. For example: a doctor at a hospital, land on the street, a teacher at school, and so on. Inputs can be expressed quantitatively (number of teachers, land area, number of teachers, etc.), inputs can also be expressed in monetary terms (doctor's fees, land prices, teacher salaries, etc.).
b. Output is the result achieved from a program, activity, and policy. It should also be remembered that desired outputs, and any other undesired outputs are side effects. Measuring (qualitative) output is more difficult in social, education, security, and health services. Qualitative measurements can be carried out in the form of increased value, or added value such as an increase in quality of life.
c. Results are impacts arising from a particular activity. For example, the expected result of waste collection activities by the city cleaning service is the creation

of a clean and healthy urban environment. Outcame is often associated with the goals (objectives) or targets to be achieved.

Benefits of the Role of Value for Money

Value for Money is believed to be able to increase public sector accountability and improve public sector performance. The benefits of the role of Value for Money in public sector organizations include the following:

1. Improving the effectiveness of public services, in the sense that the services provided are right on target
2. Improving the quality of public services.
3. Reducing the cost of public services through the loss of inefficiencies and savings in the use of inputs.

Increasing awareness of public funds (public cost awareness) as the root of the implementation of public accountability includes several indicators of value for money, namely:

Economy

Economics is a comparison between the input (which occurs) with the value of the input that should be. Economics is related to the extent to which public sector organizations can minimize the resources used, by avoiding spending that is wasteful and unproductive. It was further explained that an operational activity is said to be economical if it can eliminate or reduce unnecessary costs. Economics is related to the analysis of the extent to which public sector organizations can minimize the input resources used by avoiding spending that is wasteful and unproductive.

Efficiency

Efficiency is the ratio of output to input associated with performance standards or targets that have been set. Achieving maximum output with lowest input shows efficiency. To determine the lowest possible level of effectiveness in using resources and enjoyment

Effectiveness

Effectiveness: the level of achievement of program results with predetermined targets. To determine the level of effectiveness or measure of success in achieving organizational goals.

Financial performance

Financial performance which is the core of measuring financial performance in government organizations is Value for Money. To support the management of public funds (public money) based on the Value For Money method, a good regional financial and regional budget management system is needed. This can be achieved if the local government has a good accounting system. The Value For Money method is an indicator that provides information on whether the budget (funds) issued generates a certain value for society. The indicators are economy, efficiency and effectiveness. Financial Performance Measurement Based on financial analysis techniques, namely as follows:

1. Comparative analysis of financial statements, is an analysis technique by comparing the financial statements of two or more periods by showing changes, both in total (absolute) and percentage (relative).
2. Trend analysis (positional trend), is an analysis technique to determine trends in financial conditions that show an increase or decrease.
3. Analysis of the percentage per component (common size), is an analysis technique to determine the percentage of investment in each asset to the total or total assets and debt.

METHOD

In this study the type of data used is descriptive qualitative data, namely data presented in the form of clear and detailed explanations. Thus, the aim of this research is not measurement (quantity), but understanding social phenomena from the participant's point of view or from an emic point of view. This study aims to obtain information about the current situation, and see the relationship between existing variables, or in other words this study describes what is in accordance with the variables studied.

So qualitative descriptive research is research on the symptoms and conditions currently experienced by the subjects studied. If the data is to be processed, all that remains is to take, research, collect, or at least the researcher gives assignments, gives tests, interviews, then collects them.

Felmi D. Lantowa, Fariani, Machmud (2020) in his research on the Effect of Applying the Value For Money dimension to Public Accountability (Case Study at the Bone Bolango District Health Office) using the simple random sampling method with the results Conditions for applying the value for money dimension at the Bone District Health Office Bolango is quite good or included in the medium category.

RESULTS AND DISCUSSION

Results

The development of value for money indicators is divided into two parts, namely cost allocation indicators (economical and efficient) and service quality indicators (effectiveness). Performance indicators must be utilized by internal and external parties. Internal parties can use it to increase the quantity and quality of services as well as cost efficiency.

Economic Economic measurement requires data on budget expenditures and their realization. To match how much the economic level of a budget is based on expenditures made by public sector organizations.

Efficiency is closely related to the concept of productivity. Efficiency measurement is carried out by using a comparison between the output produced and the input used (output costs). The process of operational activities can be said to be efficient if a certain product or work result can be achieved using the minimum possible resources and funds (spent well).

Effectiveness is a measure of the success or failure of an organization in achieving its goals. Result effectiveness is a measure of the success of an organization in an effort to achieve organizational goals that have been set, effectiveness is a comparison between results and output. Outcome is the impact of a program or activity on society while output is the result achieved from a program of activity and policy. The level of effectiveness of financial management can be seen by comparing the realization of the budget with the budgeted income (income) and the percentage level of achievement.

Discussion

The UK Higher Education Funding Council (HEFCE) describes value for money in the following way: 'Value for money' (VFM) is the term used to assess whether an organization has derived the maximum benefit from the goods and services it procures and provides, within the available resources Therefore. Some elements may be subjective, difficult to measure, intangible and misunderstood. Judgment is therefore required when considering whether VFM has been achieved or is not satisfactory. Not only does it measure the cost of goods and services, but it also takes into account a mix of quality, cost, resource use, fitness for purpose, timeliness, and convenience to judge whether, together, they constitute good value or not.

CONCLUSION

From the discussion that has been described, it can be concluded as follows:

1. The purpose of a Value for Money audit is to improve public sector institutional accountability and to improve government performance.

2. Economical relates to low costs, efficiency refers to the best ratio (ratio) between output and cost (input) from an economic point of view and efficiency aims to determine:
A. Whether an institution has acquired, protected, and used its resources economically and efficiently.
B. Causes of inefficient practices include the inability of organizations to manage information systems, administrative procedures and organizational structures.

3. Effectiveness is related to the achievement of goals. Effectiveness audit (program audit) aims to find out:
A. The level of achievement of the desired result or profit.

B. Conformity of results with predetermined goals.
C. Has the audited entity considered other alternatives that provide the same results at the lowest cost?

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