

# BUDGETARY DISCIPLINE & FACTORS THAT INFLUENCE IT: STUDY CASE IN MINISTRIES OF INDONESIA

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## Abstract

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The government has three legal instruments to improve the budgetary discipline. There are internal control, good governance and accounting information. The purpose of this study is to investigate the impact of the three instruments on the budget discipline contained on research questions. First, how much impact internal control on budgetary discipline. Second, how much impact the good governance on budgetary discipline. Third, how much impact the quality of accounting information on budgetary discipline. This study was conducted at the State Ministry with a population of 34 units of analysis in 2015. The ministry was taken as a study unit because it is related to some phenomenon of violations on budgetary discipline that has occurred. Study approach using quantitative method and data analysis with partial least square. Primary data is taken with media questionnaires and secondary data taken from the respective publications of the Ministries. The results show that the impact of internal control and good governance on budget discipline is positive but weak. Then the impact of the quality of accounting information on budget discipline is negative but weak. This study was conducted when the state budget was deficit. Probable different results when study is undertaken at a time when the state budget is surplus. It is expected that the further study with the state budget on surplus and time series data to compare the results of study for making decision.

**Keywords:** Internal Control, Good Governance, Quality of Accounting Information and Budgetary Discipline

## 1. INTRODUCTION

The weaknesses of internal control, good governance and the quality of accounting information on budgetary discipline can be found in some cases in Indonesia. One of the cases related to the weakness of internal control and good governance can be seen from the case of ID-Card mega corruption on the budget of the Ministry of Home Affairs for the 2011-2012 fiscal year which is loss to the government budget of trillions of rupiah (hundreds million dollar). The case involves individuals who are in the ranks of both executive and legislative and private institutions. Then the case of buying and selling opinion financial reports between individuals of the State Audit Agency (BPK) and Ministry of Village, Development of Disadvantaged Regions and Transmigration to the financial statements of 2016.

The government budget which is a legal product that must be adhered to both in planning, implementation and accountability is distorted by the actions of persons who prioritize personal

interests and groups. Various rules are violated and various tricks are done in order to use the state budget for personal and group interests. On the other hand the government has internal controls, good governance and accounting information to keep the budget executed in accordance with provisions, but it looks like the instrument is not working properly.

Some studies provide evidence of a positive relationship between internal control and budgetary discipline (Inyang, 2013; Kraan, 2006; Ramakrishnan, 1998b). Then found a positive relationship between good governance and budget discipline (Rigaud, 2013, Stein at al., 2009, Tommasi, 2007: 319) and a positive relationship between the quality of accounting information to budget discipline (Nunuy Nur Afiah, 2010: 5; 2005; Parker at al., 1989: 57). It can be concluded that the more positive the internal control, good governance and the quality of accounting information will have a positive impact on improving the budget discipline.

This study aims to prove whether some of the instruments owned by the government that is

internal control, good governance and accounting information have a positive influence in improving the budget discipline. The unit analysis on focus in the Ministries of Indonesia with data taken in 2015. It is expected that the results of this study can provide input for the parties concerned in making decisions, especially in improving budget discipline.

## 2. BACKGROUND OF STUDY

Budget is a tool of policy for the government in realizing the wishes of its people. To realize the wishes of the community requires discipline to budget from the planning process, implementation and accountability. Instruments owned by the government to realize budgetary discipline such as internal control, good governance and accounting information show the results that have not been optimal as illustrated in the phenomenon below.

First, the report of the Corruption Eradication Commission (KPK) of the Republic of Indonesia 2014-2016 (Table 1) shows legal action against

budget abuse cases in Ministries / Agencies dominating existing cases.

**Table 1.** Cases of corruption based on agencies

No.	Agency	Year		
		2014	2015	2016
1.	Legislative	2	3	15
2.	Ministries / Institutions	26	21	39
3.	State-owned Enterprises	-	5	11
4.	Provincial government	11	18	13
5.	District / City Government	19	10	21

Source: KPK Annual Report ([www.kpk.go.id](http://www.kpk.go.id)).  
Data Processed

Second, the results of the examination from the Indonesian Financial Supervisory Agency (BPK-RI) on the central government budget (Ministries and Institutions) from 2014 to 2016, the phenomenon of violation of budget discipline is massive (Table 2).

**Table 2.** Findings result of financial statement inspection central government budget

No.	Remarks	2012		2013		2014	
		Number of Cases	State's Potential Loss (USD Million)	Number of Cases	State's Potential Loss (USD Million)	Number of Cases	State's Potential Loss (USD Million)
1.	Weakness of Internal Control System	1,180	-	1,159	-	983	-
2.	Non-compliance with statutory requirement resulting in:						
	2.1. Losses *	522	41,22	670	49,95	586	48,18
	2.2. Potential Loss *	83	101,20	66	81,53	57	198,80
	2.3. Lack of Revenue*	187	512,52	218	1,159.33	205	112,58
	2.4. Administrative Flaws*	548	-	451	-	411	-
	2.5. Inadequacy **	3	1,08	5	2,95	3	0,02
	2.6. Inefficiency *	1	-	-	-	-	-
2.7. Ineffectiveness*	11	10,56	89	74,93	18	0,05	
	Total	2,535	666,67	2,658	1,368.68	2,263	359,64

Sources: IHPS Semester I, 2015, BPK-RI (Data Compiled)

Exchange rate USD 1 = Rp 13,200

\* The findings to be due weakness of good governance

\*\* The findings to be due low of quality accounting information

The number of findings of central government budget weakness caused by the weakness of internal control and good governance is quite dominant in the existing cases. Although the intensity of violations against budgetary discipline shows a downward trend. Inaccuracy occurs that accounting information has not been able to be used as a standard cost analysis tool. Accounting information can not be used as a tool of analysis allegedly because it is distorted. The distortion of accounting information results in less relevant accounting information being used as a basis for decision making which has an effect on decreasing the level of discipline to budget.

Third, the phenomenon of decreasing the level of budget discipline can be seen from the budget absorption in 10 Ministries and Institutions with the largest budget ceiling of 2009 - 2016 (Table 3).

In 2015, all of ministries and institutions (85 units), 29 is categorized as low budget absorption, 16 is categorized as moderate, then 40 is categorized as high (Implementation of State Budget Report of First Semester of 2015). In year 2016 from a total of 86 ministries and institutions there are 17 categorized as weak absorption budget (Implementation of State Budget Report of First Semester of 2016). The absorption of the first semester budget is categorized as weak if absorption is less than 20%, medium between 20% - 26.1%, and high is above 26.2% (Implementing of State Budget Report of First Semester of 2015).

Fourth, the phenomenon of the weakness of budgetary discipline can be seen in opinion of financial report by Financial Supervisory Agency. There are some ministries that have predicate financial statement opinion under Unqualified (Table 4).

**Table 3.** List of Budget Absorption of First Semester of 2009 - 2016  
In 10 Ministries / Institutions With the Biggest Budget Ceiling  
(In percentage)

No	Ministries / Institutions	Year							
		2009	2010	2011	2012	2013	2014	2015	2016
1	Ministry of Public Works and Housing	26,1	24,8	21,6	22,1	24,5	29,4	16,8	29,3
2	Ministry of Defense	55,2	41,2	39,3	40,7	33,7	31,2	31,3	36,9
3	Ministry of Transportation	22,9	24,2	23,1	20,5	17,6	15,6	10,7	25,8
4	Ministry of Religious Affairs	32,4	27,8	28,0	31,1	27,0	27,9	25,2	38,7
5	Indonesian National Police	49,2	43,9	39,7	40,0	35,0	38,7	41,1	39,6
6	Ministry of Education and Culture	32,3	29,7	14,0	30,6	17,9	26,7	28,5	33,5
7	Ministry of Health	22,1	24,4	19,7	30,3	31,0	36,3	38,9	37,1
8	Ministry of Research, Technology and Higher Education	29,6	24,3	25,8	45,9	29,0	25,2	25,0	34,6
9	Ministry of Agriculture	25,1	18,8	22,6	42,1	36,4	38,2	24,6	33,9
10	Ministry of Finance	35,1	33,1	32,3	37,4	35,3	38,7	40,4	41,4

Sources: Implementing State Budget Reporting of First Semester. [www.anggaran.depkeu.go.id](http://www.anggaran.depkeu.go.id)  
(Data compiled)

**Table 4.** Opinion on Audit of Financial Statements - Ministries 2014 - 2016

No.	Remaks	Year					
		2014	%	2015	%	2016	%
1.	Unqualified Opinion	27	79	19	56	29	85
2.	Unqualified Opinion With Exception	4	12	13	38	3	9
3.	Adverse Opinion	0	0	0	0	0	0
4.	Disclaimer Opinion	3	9	2	6	2	6
	Total	34	100	34	100	34	100

Sources: Resume of Result Inspection Semester I - BPK RI (Data Compiled). [www.bpk.go.id](http://www.bpk.go.id)

Based on the above data can be concluded that the indiscipline of the budget has been happening and need to be anticipated in the future. This study aims to provide an overview of the current government-owned instruments such as internal controls, good governance and the quality of accounting information has been running well or vice a versa.

### 3. RESEARCH QUESTIONS

Based on the above phenomenon and internal instruments owned by the government in improving the discipline of the budget, it can be compiled research questions as follows:

**Question 1:** How much influence the government's internal control on the level of budgetary discipline. The question is to investigate whether the phenomenon that occurs is directly proportional to the weakness of internal control or vice a versa.

**Question 2:** How much influence the good governance government on the level of budgetary discipline. The question is to investigate whether the phenomenon that occurs is directly proportional to the weakness of good governance or vice a versa.

**Question 3:** How much influence the quality of government accounting information on the level of budgetary discipline. The question is to investigate whether the phenomenon that occurs is directly proportional to the weakness of quality of accounting information or vice a versa.

### 4. HYPOTHESIS DEVELOPMENT

#### 4.1. Effect of internal control on budgetary discipline

Internal control is an instrument for the government in realizing good state financial management. Good financial management is a reflection of the implementation of budget discipline. To achieve budget discipline, strong internal controls are required (Kraan, 2006; OECD, 2011). Ramakrishnan (1998b) pointed out that the fundamental issue of budget discipline is the effectiveness of internal control. Weakness of internal controls will potentially reduce discipline to budgets such as the incidence of extra expenditure in government budgets (Inyang, 2013), budget slack (Schiff and Lewin, 1974), and lead to failure to achieve the objectives of the budget itself (Sekwat, 1997).

Study conducted by McCarten (2003) shows that internal control is quite dominant in influencing budget discipline, especially in aligning policy, planning and budgeting. Similar opinion is also expressed by Willoughby (2014) that budget discipline will be difficult to implement if in fact the costs tend to rise past estimates. Therefore, strong internal control is needed to realize the balance (check and balances) in budgeting.

The purpose of internal control is one of them so that operational entity effective and efficient and obedient to the rules (COSO, 2013). Budget is a management operational tool in planning, directing and controlling entities (Warren, 2014). So it can be understood that internal controls lead to organizational budget can be implemented effectively and efficiently and obey the rules.

Budget discipline requires control. Control in the form of supervision (monitoring) in starting from the planning stage, then the implementation stage and the last stage of reporting for the purpose of the budget more effective (Mardiasmo, 2009). Furthermore, Mardiasmo (2009) explains that control in the planning stage is needed to plan activities to be implemented in line with the vision and mission of the organization. Control of budget planning stage also to avoid the existence of overspending, underspending and misappropriation in the allocation of budget. Control in the implementation stage is required for activities carried out on time, economical, efficient and effective in accordance with established procedures. Then the control of the reporting stage is needed so that activities that have been implemented can be accounted for in a transparent, accountable and meet the applicable rules.

Besides that, control is needed in improving budgetary discipline in order to maintain quality budget so as to produce high performance and product (service) generated can fulfill public expectation (Bastian, 2010). This can be achieved if the discipline of the budget, because in the budget discipline there are commitments that must be met, the time must be fulfilled and the rules that must be lived.

Study conducted by Zulkarnaini (2013), Ozer & Yilmaz (2011), revealed a positive relationship between internal control and budgetary discipline in reducing the occurrence of budget slack. That is, the more positive the effect of internal control effectiveness on budget discipline, the lower the likelihood of budget gap. Based on the above phenomenon and previous research can be concluded that to improve the budget discipline required effectiveness of internal control. The more positive the effectiveness of internal control of the organization the more positive impact on budget discipline so that it can be made a hypothesis:

*H1a: Internal control has a positive effect on budgetary discipline*

#### **4.2. The effect of good governance on budgetary discipline**

The main purpose of good governance is to realize the activities contained in the state budget in accordance with the rules that apply freely from the elements of collusion, corruption and nepotism. Success in realizing budget discipline is reflected in the integrity of budget management (Hyde, 2002). The integrity of state budget management is conducted by professionally, openly, responsibly and in accordance with the rules by applying the best practices of state financial management, results-oriented, accountability, professionalism, openness, and examination by a free auditing body and independent (Law Number 17 Year 2003).

To realize budgetary discipline requires good governance (Sundaram, 2012). Inadequate good governance will lead to a low level of discipline on budgets (Egbide, 2013). Similar opinion is also supported by Tommasi's (2007) study that weakness of accountability in good governance will have an effect on decreasing the level of budget discipline. A similar opinion is also supported by Deng's (2011) study that the decrease of discipline to budget is

due to a gap between budget and realization due to weak of accountability in governance. This is in line with Ramakrishnan (1998b) research that there are two main factors causing weakness of public budget discipline, one of which is the less of accountability.

The main function of good governance is direction to achieve organizational goals (Solomon, 2007). Budget discipline requires direction so that the budget can be implemented in accordance with the established plan. A study conducted by Egbide (2012) found a close relationship between implementing good governance and budget discipline. This is also reinforced by Uppal (2011) research that the implementation of good governance will have an effect on conducive budget discipline.

Effective good governance is characterized by one of the indicators is applying budget discipline and spending efficiency (Andrews, 2008). Budget discipline encourages governments to implement budgets according to commitments, times and procedures established. Commitment, adherence to time and procedures can be carried out in the presence of integrity, transparency, intervention and accountable in running the government.

Study conducted by Stein et al (2009) found that low transparency and accountability of public budget cause managers undermine budget discipline in the form of a decrease in budget conditions by 20 - 30%. Similarities were also expressed by Giosi (2014), Egbide (2012), Deng (2011), Alesina (1996), that good governance requires transparency and accountability to improve discipline of budgeting.

To encourage the level of budget discipline in the form of efficient implementation of the government budget required good governance (Rigaud, 2013). Similar statements were also expressed by Bräutigam (2004) that good governance will have a positive impact on budgetary discipline in the form of expenditure arrangements and sustainable sources of income. The OECD (2014) states that a good budget should be supported by good governance that is integrity, transparency, participation, accountability and strategic planning in achieving national goals.

Based on the phenomenon and previous research above can be concluded that to realize the budget discipline required good governance. The more positive the governance of the organization the more positive the impact on budget discipline so that it can be made a hypothesis:

*Ha2: Good governance has a positive effect on budgetary discipline*

#### **4.3. The effect of accounting information quality to budgetary discipline**

The terms of quality financial information are relevant, reliable, comparable and understandable (Kieso, 2014). Information is said to be relevant when it meets user decisions in evaluating past, present and future events. Information said to be reliable if not misleading, free from material mistakes, honest and verifiable. Comparable financial statements can be compared with the previous year and can be understood to mean adjusted to the limit of understanding of users.

The failure to realize the budgetary discipline objectives of the budget may be caused by

accounting failures in reporting on actual conditions occurring in government (Rubin, 1990). The budget discipline objective of the budget will be hampered if the information in budgeting is distorted. The distortion of accounting information will cause the decision to be taken into bias. Therefore, accounting information must be qualified so that relevant is used for decision making. Without quality accounting information it will be difficult to improve the discipline of the budget (Schoburgh, 2016).

Budget discipline requires quality accounting information to make decisions in the budgeting process fast, precise and accurate (Harryanto at al, 2014; Cohen, 2014; Safakli, 2011). In the budget planning stage, quality information is needed to be precise in planning future activities. In the budget execution stage, quality information helps to make decisions in order to meet the targets of budget activities. Then in the budget accountability stage, quality information can support accountability of budget activities and compliance with applicable rules.

Budget discipline requires accounting information (Sevilla, 2005). First, the budget discipline requires that every activity be accounted for fairly. Media that provides accountability information activities is accounting information. Second, public management requires information on the level of performance budgeting only from accounting information (Afiah, 2010; Parker at al, 1989). Third, the discipline to the budget is only known from the financial statement information (Afiah, 2010).

Fourth, budget discipline requires the use of budget economically, efficiently and effectively. Information that can support that budget used economically, efficiently and effectively is accounting information. This is in line with the opinion of Aman & Hildreth (2000) which states that accounting information can provide information on the upper limit of budget expenditure that has been done and can be used as a guide to allocate the next budget. The higher the target achievement of budget performance the higher the need for quality information.

Accounting data is required in the budgeting process (Fernsler, 1999; Parker at al., 1989; Rodriguez, 1995). This is in line with Guess's opinion (2011) which states that the accounting system provides data used as information in preparing the budget and analysis of policy outcomes. The same thing was also expressed by Jones (2010) that to analyze the achievement of budget discipline required information about the realization of receipts and expenditures, it is obtained in the financial statements generated by the accounting information system.

The budget is in some ways based on accounting historical data (Nafarin, 2007). Historical accounting data that is up date is used in decision making by government especially in control of state revenue and expenditure. The government will take a policy if it turns out revenue and expenses are still below target. This is done to realize the purpose of budgetary discipline that is to meet commitments that have been agreed, the deadline has been set and the rules that apply.

Accounting is a tool to produce quality financial information (Romney & Steibart, 2012).

Budget discipline requires quality information from the planning stage to accountability to reduce uncertainty, appropriate decision-making, improve activity schedules, and accountability of activities. Therefore, it can be concluded that accounting information is one of the factors that influence the realization of budget discipline. Based on the phenomenon and previous research above can be concluded that to improve the budget discipline required quality accounting information. The more positive the quality of accounting information the more positive the impact on the level of budget discipline so that hypotheses can be made:

*Ha3:* The quality of accounting information has a positive effect on budgetary discipline

## 5. RESEARCH DESIGN

### 5.1. Data

The study was conducted in 34 ministries of the Republic of Indonesia. Appropriate data can be processed in statistical software - Smart Partial Least Square (PLS) with 33 units of analysis. The data used are primary and secondary data as described in table 3.

Table 3. Data source

No.	Variable	Data Type	Measuring instrument
1.	Effectiveness of Internal Control	Primer	Questionnaire (COSO, 2013)
2.	Good Governance	Primer	Questionnaire (IFAC & CIPFA, 2014)
3.	Quality of Accounting Information	Secondary	Opinion of Financial Report and Financial Reporting Accomplishment Year 2015
4.	Budget Discipline	Secondary	Ministires Absorption Budget on Semester I & II Year 2015

Source: Data Processed

#### a. Model Equations

The model equations can be written as follows:

$$\eta_1 = \gamma_1 \xi_1 + \gamma_2 \xi_2 + \gamma_3 \xi_3 + \zeta_1$$

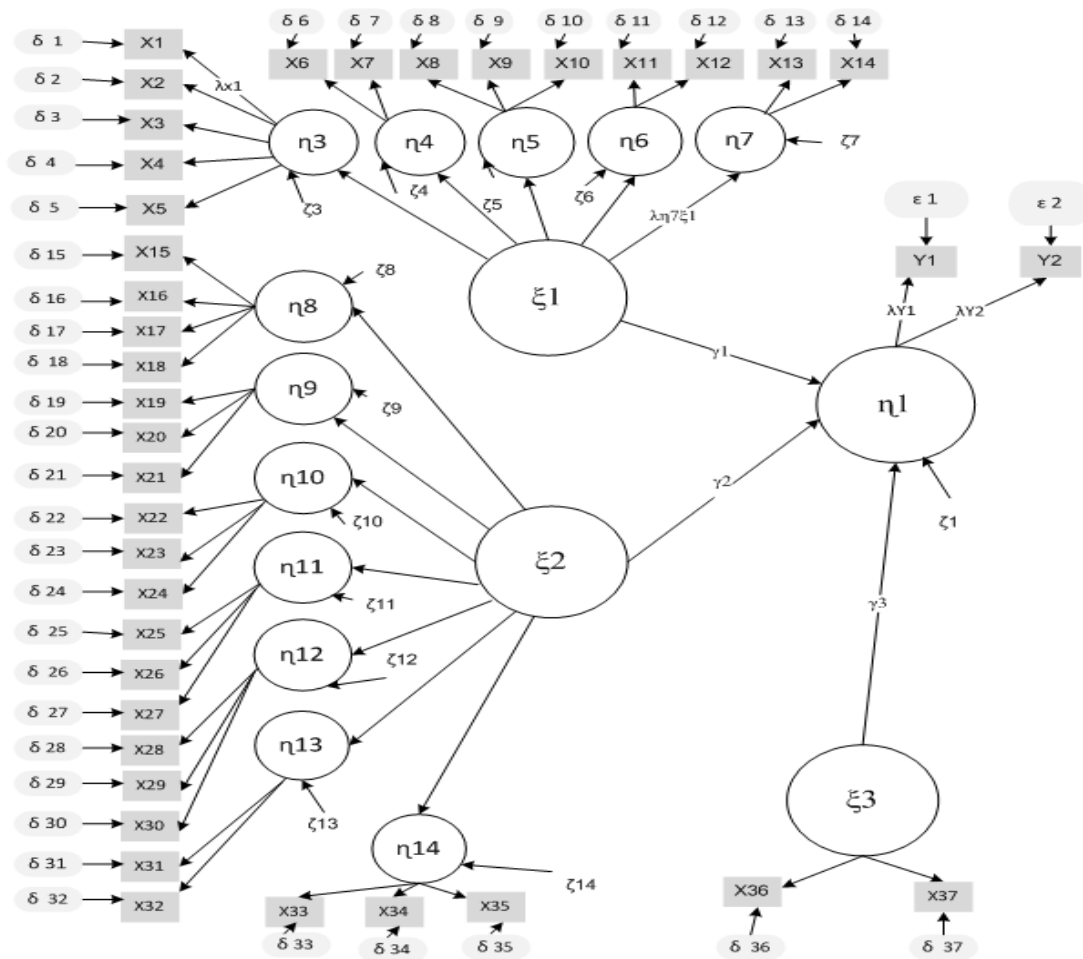
Where is:

- $\eta_1$  = Endogenous latent variable Budget Discipline
- $\xi_1$  = Latent Variable Effectiveness of Internal Control
- $\xi_2$  = Latent variable Good Governance
- $\xi_3$  = Latent variable Accounting Information Quality
- $\gamma$  = Coefficient of influence of exogenous variable on endogenous variable
- $\zeta$  = Error model

#### b. Model Structure

The model structure in this research is as follows:

Figure 3. Model structure



Source: Data Processed

c. Results of Data Processing

Results of data processing with Smart PLS can be presented as follows:

Table 4. Measurement results of impact between variables

Relationship	Effect	Level of Influence
PI (X1) -> DA (Y)	0,190	Low
TKO_(X2) -> DA (Y)	0,046	Low
KIA (X3) -> DA (Y)	-0,033	No effect

Source: Data Processed

The results of data processing from the population obtained statistical evidence that the effect of internal control effectiveness on budget discipline and good governance in low category. While variable of quality of accounting information have negative effect to budget discipline.

6. EMPIRICAL RESULT

The results of this study indicate the effectiveness of internal control, good governance positively affects on the budget discipline in line with the hypothesis. But the quality of accounting

information negative affect on the budget discipline and opposite with the hypothesis. This study proves implicitly that the more effective the effective internal control and good governance the more positive the impact on budget discipline. But instead the more qualified accounting information the lower the level of budget discipline.

The effectiveness of internal control positively affects on budget discipline in line with study of Inyang (2013), Gokhan Ozer & Emine Yilmaz (2011), Prathima, DS (2005), McCarten (2003), Groenendijk (1999), pointing out that internal control is a dominant factor in improving the budget discipline. In this study the effect of internal control on budget discipline is weak, only 19%. The results of this study are close to the findings of Safakli (2011) which found a negative influence between internal control and budgetary discipline. This is also in line with the existing phenomenon which many budget cases in central government budget Year 2014-2016 caused by weakness of internal control (BPK-RI, IHPS Semester I).

Base on result of study, factor of monitoring, one of dimension in internal control is not optimal to improve budget discipline. Therefore it is reasonable to suspect the weakness of monitoring in internal control cause some caces in state budget. This is reflected in the KPK's case of hand-catching

of individuals in some ministries, legislatures allegedly obliterating the government budget.

Good governance positively affects on budget discipline in line with Alesina (1996), Deng (2011), Egbide (2012), Giosi (2014) studies, that good governance, especially accountability and transparency, can improve discipline on budget. In this study showed that the impact of good governance on budget discipline was weak, only 4.6%. This suggests that good governance has not been sufficiently able to influence the discipline of the budget.

The results show that the weakness of good governance affects on budget discipline due to factors of "Openness", "Prioritization of Results and Benefits", "Risk and Performance Management" and "Accountability". The weakness of the "Openness" dimension can be reflected from the results of the public information disclosure assessment conducted by the Information Commission of the Republic of Indonesia in 2015. The State Ministry's rating of only 45.285 is far below the best value of public information disclosure (the value scale of information disclosure = 0 - 100, the greater the value obtained the better the quality of public information disclosure) (<https://www.komisiinformasi.go.id>). The weakness of the dimension "Prioritizing Results and Benefits" can be seen from the phenomenon as in IHPS report Semester I - Year 2015 BPK-RI found 11 cases of budget ineffectiveness potentially harm the state finance hundreds of billions of rupiah.

The weakness of the "Risk and Performance Management" dimension can be seen from the abandoned government projects such as Hambalang athlete project which was stalled from the year 2012 and has not been clear yet (<http://jabar.tribunnews.com/2016/03/18/jokowi-shake-head-see-homestead-letlet-barrier>, downloaded 16:29 WIB, 27/07/2017). The weakness of the "Accountability" dimension can be reflected in the performance of ministries of 2014 and 2015 which are still dominated by rank BB & B ([www.menpan.go.id](http://www.menpan.go.id)) and the opinion financial report of Ministry of year 2014 and 2015 that have not 100% received unqualified opinion by BPK-RI ([www.bpk.go.id](http://www.bpk.go.id)).

The results of this study indicate that the quality of accounting information has no positive effect on budget discipline and is contradictory to the hypothesis that is built. This study proves implicitly that the more positive the quality of accounting information the more negative the impact on budget discipline.

The results of this study are also in line with Safakli (2011) research that accounting information negatively affect the budget discipline. Accounting information negatively affects budget discipline is assumed because accounting information is distorted. The research conducted by Esfahani (2002) suggests that distorted accounting information may decrease the level of budget discipline. Accounting reports that have been distorted when used in decision making will have a negative impact on budget discipline because it will lead to inefficiency.

Accounting information has a negative effect on budget discipline is thought to be caused by the condition of deficit state budget. The budget deficit

will force the government to find a new balance of the established budget, one way is to cut the amount of previously approved budget. Cutting the state budget due to deficit will decrease the level of budget discipline because there are some activities canceled or postponed. Up-date information from accounting information systems showing the actual amount of state revenues and expenditures of the current year is used by the government in controlling the budget deficit. The higher of the level budget deficit the more government to cut the approved budget and the more lower of the budget discipline level.

In addition, accounting information negative affect with the budget discipline can be caused by the low quality of the accounting information itself. The signals of low quality of accounting information are reflected in the opinion of financial report issued by BPK RI, only 56% financial report of ministry's on 2015 getting the unqualified opinion. Then the case of KPK's hand arrest on the sale and purchase of the opinion of the financial report of 2016 in a ministry indicates the low quality of financial statements.

## CONCLUSIONS AND DISCUSSIONS

The weakness of internal control and good governance on state budget reflected by some of phenomena that indicates a serious problem to improving the budget discipline. The negative effect of the accounting information to the budget discipline also identifies as a problem on budgetary discipline.

This study show that the impact of internal control and good governance on budget discipline is positive but weak. Then the impact of the quality of accounting information on budget discipline is negative but weak. The function of internal control as a tool to provide adequate confidence to the stakeholders towards the achievement of organizational goals needs to be improved especially in terms of supervision in planning, implementation and accountability of the budget. Weakness of internal control cause manipulation in budgeting. Inadequate of internal control on the budget also leads to poor government outcomes outlined in the budget and and nourish of corruption.

Good governance that is expected to achieve the organization objectives in contained on the budget needs to be evaluated and improved, especially in terms of transparency, prioritizing results and benefits, risk and performance management and accountability in budgeting. Budget discipline requires transparency in planned, implemented and accountability. Budget discipline encouraging budget can be accessed by the public so that it can be used as a tool for public to control over activities undertaken by the government.

Factors prioritizing results and benefits are more emphasized on the importance of improving the welfare of society in general (principle base), in addition to the legal aspect must be fulfilled (rule base). Risk factors that are less a concern in budgeting cause the performance level to be low so that the organization objectives that have been outlined in the budget is not achieved optimally. Accountability factors that are low in good governance on budget discipline can cause a decline level of public confidence to the government.



Distortion of accounting information causes accounting information usefulness in decision making so that impact to decrease on level of budget discipline. The results of the study describe weakness of internal control and good governance in line with effect accounting information to decrease level of budget discipline. Distortion of accounting information will cause difficulties in decision

making and tends to be ignored to next step on budget process.

This study was conducted on deficit state budget and cross section data. Comparative studies are needed in order to find out whether on a budget surplus the internal controls, good governance and accounting information has a strong effect on budget discipline. The further study also needed to prove it.

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