

Excessive Caution As A Cause Of Budget Surplus (SiLPA): An Analysis Of Auditor-Related Fear In Local Government Budget Execution

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Abstract

This study examines the factors contributing to the formation of Budget Surplus (Sisa Lebih Perhitungan Anggaran or SiLPA) in regencies and cities within the Province of West Nusa Tenggara, with a specific focus on the excessive caution exercised by local government officials in response to potential audit findings. The findings indicate that one of the primary causes of SiLPA is the tendency of officials to withhold budget execution due to concerns over possible administrative sanctions arising from audit outcomes. This fear drives overly cautious behavior in fiscal decision-making, particularly in the final quarter of the fiscal year, leading to delays in program and activity implementation. This phenomenon is further exacerbated by limited understanding of financial regulations and the suboptimal performance of internal control systems in supporting accountable budget realization. The implications of these findings underscore the need to strengthen the capacity of local government personnel, simplify audit-related regulations, and enhance the quality of financial reporting systems in order to promote effective and timely public spending.

Keywords: Budget Surplus, Local Government Finance, Budget Execution, Auditor-Related Fear

INTRODUCTION

The Budget Surplus (Sisa Lebih Perhitungan Anggaran or SiLPA) is a critical indicator in regional financial management, representing the difference between realized revenues and expenditures within a fiscal year. In a performance-based budgeting system, regional expenditures are ideally absorbed optimally to support development and public service delivery. However, the reality shows that many local governments in Indonesia, including regencies and municipalities in West Nusa Tenggara Province (NTB), continue to experience relatively high SiLPA accumulation over the years (Evana & Munandar, 2022).

The persistent accumulation of SiLPA indicates inefficiencies in budget planning and execution, such as poorly prepared plans, delays in the procurement of goods and services, and limited institutional and human resource capacities. In addition, external factors such as national fiscal policies, macroeconomic conditions, and frequent regulatory changes also influence the degree of budget absorption (Diastrina, 2023). In NTB, although the average percentage of SiLPA relative to the regional budget (APBD) is relatively low compared to other provinces, significant variation among districts/cities reflects differing levels of fiscal capacity, governance effectiveness, and planning strategies.

The high level of SiLPA is not merely a technical budgeting issue—it has broader implications for regional development effectiveness. Unabsorbed budgets may delay the implementation of priority programs, reduce the quality of public services, and weaken public trust in local government performance. On the other hand, some local governments exhibit excessive prudence in budget utilization, especially in the final quarter of the fiscal year, due to concerns over potential audit findings. While such caution is often intended to avoid administrative sanctions, it inadvertently contributes to the formation of SiLPA.

Several studies have emphasized the need for reforms in budgeting practices, improved human resource capacity, and simplified regulatory frameworks to enhance budget efficiency. One promising approach is the earmarking of SiLPA—directing unused funds toward strategic, high-impact projects with long-term societal benefits.

In light of these issues, this study aims to analyze how SiLPA is formed and to evaluate the policies governing its management in regencies and municipalities across NTB Province. Using a mixed-methods approach that combines quantitative financial analysis with qualitative stakeholder interviews, this research seeks to provide a holistic understanding of the challenges and opportunities in optimizing

regional budget use. The ultimate goal is to formulate more adaptive, effective, and sustainable fiscal policy recommendations for local governments.

RESEARCH METHODOLOGY

This study employs a **mixed-methods approach** combining both quantitative and qualitative research methods to comprehensively analyze the formation and management of Budget Surplus (SiLPA) in regencies and municipalities of West Nusa Tenggara Province (NTB).

1. Quantitative Analysis:

Financial data related to regional budgets (APBD), including realized revenues, expenditures, and SiLPA figures over multiple fiscal years, will be collected from official government financial reports and databases. Statistical techniques, such as descriptive statistics and trend analysis, will be applied to identify patterns, variations, and correlations in budget absorption and SiLPA accumulation across districts and municipalities.

2. Qualitative Analysis:

To complement the quantitative data, in-depth interviews and focus group discussions will be conducted with key stakeholders, including local government officials, budget officers, and fiscal policy experts. These interviews aim to explore the underlying causes of budget under-absorption, institutional challenges, regulatory impacts, and perceptions regarding the use and management of SiLPA.

3. Data Integration:

The results from both quantitative and qualitative analyses will be integrated to provide a holistic understanding of the budget surplus phenomenon. This triangulation will help to validate findings and uncover contextual factors influencing budget performance and policy implementation.

4. Ethical Considerations:

Participants' confidentiality will be strictly maintained, and informed consent will be obtained before conducting interviews. Data will be securely stored and used solely for research purposes.

This methodological framework aims to deliver actionable insights that can support the development of more effective, adaptive, and sustainable fiscal policies to optimize regional budget use in NTB Province.

DISCUSSION

Budget Surplus (SiLPA) remains a persistent challenge in local government financial management across various regions in Indonesia, including in the province of West Nusa Tenggara (NTB). One of the primary causes identified in this study is the excessive caution practiced by local governments in executing budget expenditures. This cautious behavior does not arise without reason; rather, it is a response to fears related to auditor findings that can have administrative and reputational consequences.

In practice, fear of audit outcomes often generates an excessive level of apprehension among budget officials. This fear leads them to take a conservative approach, such as delaying activities or choosing not to fully absorb the allocated budget, even though funds have been allocated. This is done to avoid administrative risks such as audit findings or sanctions imposed by supervisory bodies.

This excessive caution impacts the low absorption rates of local budgets, especially in the final quarter of the fiscal year. Consequently, unutilized budget allocations are recorded as SiLPA. This condition indicates that the problem of SiLPA is not merely due to technical weaknesses or poor planning but also involves psychological and institutional dynamics in local government financial management.

Heads of financial agencies in several districts and cities in NTB have indicated that strict audit procedures and constantly changing budget utilization regulations are primary sources of anxiety. They acknowledge that it is safer to leave budget funds unused than to risk legal or administrative problems due to minor errors in program implementation.

The fear of audit findings is also rooted in the complexity of financial management regulations. The central government often issues new rules mid-year, including changes in fund disbursement mechanisms and reporting requirements. This forces local governments to adjust mid-implementation, which is not always straightforward or timely.

A rigid regulatory approach leads to a mismatch between actual field needs and budget realization. Local governments, which should ideally have the flexibility to adjust budgets based on local conditions, are instead restricted by inflexible central government rules. This situation causes officials to adopt a passive stance or delay budget implementation to avoid procedural errors.

Principal-Agent theory (Jensen & Meckling, 1976) explains this phenomenon. The central government as the principal seeks accountability in fund usage, while local governments as agents have better

information on local conditions but are constrained by rules and incentives that are not always aligned. This misalignment creates tension that results in excessive caution.

In practice, heads of finance in some NTB regions stated that fear of audit findings outweighs the motivation to realize development programs. They mentioned that many planned programs were canceled solely due to worries that reporting would not be perfect or procurement mechanisms could trigger audit issues.

This situation is worsened by a lack of human resource capacity in planning and budgeting. Many regions lack skilled personnel capable of managing budgets quickly and accurately according to the latest regulations. This weakness leads officials to avoid risks in budget absorption.

Moreover, audits that emphasize administrative compliance over performance outcomes or development achievements encourage conservative behavior. Officials fear non-compliance in financial reports more than program failures in meeting community needs.

In several cases, delays in tender processes are linked to fears related to the complex and audit-sensitive procurement of goods and services. This is especially true for physical projects such as infrastructure development, which require lengthy technical and administrative procedures with high audit risks.

Local governments are also reluctant to utilize contingency funds even when available because they do not want to be blamed for spending flexible funds that carry high reporting risks. In fact, contingency funds can be very helpful in addressing urgent community needs.

This situation illustrates that the local financial system does not fully support fiscal autonomy as described by Oates (1972) in Fiscal Federalism theory. Local governments lack sufficient discretion to tailor budget management to local needs, mainly due to rigid central government interventions.

The fiscal power imbalance causes local governments to focus more on procedural fulfillment than on effective use of funds. In many cases, fear of audit findings results in withholding budget expenditures even though those funds address urgent needs.

This directly affects the delay of strategic projects, reduces public service quality, and lowers community trust in local government. When citizens see budgets are not used optimally, they question bureaucratic effectiveness and leaders' commitment.

To address this, a more adaptive and educative financial oversight approach is needed instead of a punitive one. Audits should serve as tools to improve the system rather than merely seek errors. Risk-based auditing could offer an alternative model that encourages appropriate budget realization.

Technical assistance from both internal and external supervisory agencies is also vital to provide confidence to local governments that budget expenditures can be conducted without excessive fear. This support must be paired with training and capacity building in local budgeting.

Central government policies should be more synchronized and avoid sudden changes. The central government must consider the impact of regulatory changes on local program implementation and provide adequate transition time for local governments to adjust their plans.

Furthermore, flexibility in reallocating budget funds between budget lines should be expanded to allow local governments to shift unused funds from one program to another that is ready for implementation. This policy can help reduce the accumulation of SiLPA.

The central government could also consider fiscal incentives for regions that efficiently and appropriately realize budgets without compromising accountability. Such incentives would encourage local governments to be more courageous in executing budgets.

Organizational culture changes within bureaucracy are equally important. Local governments need to foster a working environment that supports innovation and decision-making courage, rather than one solely focused on avoiding risks.

This study shows that excessive caution is not just a technical issue but a structural and institutional problem. Proper handling requires regulatory reforms, a more supportive audit approach, and overall improvements in fiscal decentralization systems.

Ultimately, optimizing local budgets requires bureaucratic courage supported by a flexible, results-oriented system. If the central and local governments can synergize to create a healthy fiscal climate, budgets can be utilized more effectively for public benefit, and SiLPA can be significantly reduced.

CONCLUSION

Excessive caution driven by fear of auditor findings is a significant cause of budget surplus (SiLPA) in local government budget execution. This fear leads local officials to adopt conservative behaviors such as delaying or underutilizing allocated funds to avoid administrative sanctions or audit criticism. The result

is low budget absorption and the accumulation of unspent funds, which ultimately hampers effective public service delivery and local development.

This phenomenon is influenced by complex and frequently changing regulations, limited capacity of local financial managers, and an audit system that prioritizes procedural compliance over performance outcomes. The imbalance in fiscal authority between the central and local governments also restricts local flexibility in budget management, reinforcing cautious attitudes.

To reduce SiLPA, it is essential to promote a more supportive and risk-based audit approach, improve local government capacity, and enhance regulatory stability and flexibility. Encouraging bureaucratic courage and innovation within local administrations, alongside providing adequate incentives and technical assistance, will foster more optimal budget utilization.

Ultimately, addressing excessive caution requires a holistic reform involving institutional, regulatory, and cultural changes. By doing so, local governments can better align budget execution with community needs, improving public trust and development outcomes.

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