

## Analysis of Budgetary Slack Trigger in Government Institutions (Case Study at Bureau X Ministry of Y)



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**ABSTRACT:** This study aims to determine the causes of budgetary slack and the impact it has on government agencies so that in the future a policy can be developed that can reduce the occurrence of Revenue and expenditure budgetary slack. This research is a qualitative research using the case study method. Data collection was carried out by means of interviews, observation, and documentation at Bureau X Ministry of Y. The results of this study indicated that budgetary slack occurred due to: first, receivables that were not included in the calculation of revenue targets, second, time constraints in preparing the budget, third, changes in government policies that creating uncertainty in the implementation of work, fourthly limited human resources, fifthly dynamics in budget execution, and sixthly there is performance appraisal. In this case, it was found that the impact arising from budgetary slack was the potential for inefficient spending and a lack of motivation to achieve the revenue target as indicated by the presence of receivables. The strategy implemented to reduce budgetary slack is the existence of guidelines in preparing the budget, setting priority scales in spending, employee participation in preparing the budget, and the existence of budget research and reviews.

**KEYWORDS:** budgetary slack, causes, impacts, strategies, government agencies.

### I. INTRODUCTION

Budgetary slack is a condition where budget preparers have a tendency to set spending targets that exceed actual needs and set revenue targets below their potential so that they are easily achieved. This happens because of differences in interests between the leadership and budget preparers. In preparing the budget, the principal, namely the leader, has an interest so that agents, namely Bureau X employees in each section, prepare a budget according to needs so that if there is remaining budget it can be used for other programs, while agents have an interest in preparing a budget that facilitates the implementation of work. and provide security against uncertainty. As for the Revenue budget, it is in the principal's interest that the agent prepares Revenue targets according to their potential so that they can motivate them to achieve the targets set at the beginning, but agents set lower Revenue targets to make it easier to achieve the Revenue targets set at the beginning. This difference in interests causes agents to be given incentives to minimize agent activities which will harm principals because agents do not always work to support the achievement of principal interests (Jensen et al . , 1976). One of these detrimental activities is the preparation of a budget that exceeds actual needs and an Revenue budget that is lower than the existing potential.

Bureau X is a work unit in Ministry Y which receives the largest portion of the revenue and expenditure budget. This is due to the duties and functions of Bureau X in administering state property and maintaining physical infrastructure (Regulation of the Minister of Y of the Republic of Indonesia Number 13 of 2020 concerning Organization and Work Procedure of Ministry of Y). Budgetary slack in Bureau X occurs in the preparation of the revenue and expenditure budget. The budget allocation for Bureau X's budget is considered to exceed the standard input costs (Records of the Inspectorate General's Review of Bureau X's 2022 budget). Whereas the realization of the annual revenue budget exceeds the target set as stated in the 2018 Bureau X Financial Report where the revenue target is set at IDR 100,000,000 with a realization of IDR 3,329,170,814.

If the entire work unit sets a lower revenue target and a higher spending target, it will result in a large amount of remaining budget at the end of the year, on the other hand the government borrows both foreign and domestic to finance the budget deficit at the beginning of the year. In the news on the website of the digital newspaper Tempo regarding the Unused Hundreds of Trillion Budget for 2020, Sri Mulyani Gives Reasons, it is said that the DPR criticized the existence of a large remaining budget, while the government owed money to finance the deficit. This happened due to inaccurate budget planning where the expenditure budget was exceeded and the Revenue budget was planned to be lower so that there was remaining budget at the end of the year while there were domestic and foreign debts. Based on these facts, there is a phenomenon of Revenue and expenditure budgetary slack .

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The government budget preparation process involves many parties. This shows that there is participation in the preparation of the budget. Participatory budgeting has a negative effect on budgetary slack (Puspitasari et al., 2017). Participatory budgeting will reduce budgetary slack. Staff who participate in preparing the budget will reduce budgetary slack and will have a positive impact on the organization (Huseno, 2017). The existence of budget participation can encourage or reduce the occurrence of budgetary slack. Based on research from Aji et al. (2018) shows that budgetary slack occurs due to high budget participation.

Slack has an impact on organizational performance. Budgetary slack will increase performance if there is positive slack which will result in a good job security (Suhartini et al., 2019). Meanwhile, according to Puspitasari et al. (2017), budgetary slack has a negative impact on performance. For example, if the Revenue target is set to be lower than its potential, it will result in a lack of motivation to collect Revenue. Revenue targets that are in accordance with their potential will motivate employees who carry out the revenue budget (Karila et al., 2020). To minimize the impact, a policy strategy is needed to reduce budgetary slack.

Previous research on budgetary slack used secondary data, but to obtain in-depth information about budgetary slack, research with triangulation (interviews, observations, and other primary data sources) was more appropriate (Adhariani, 2018). This research is a qualitative research using interview, observation, and documentation methods to explore various causes that have not previously been studied related to budgetary slack and the impact it has on government agencies so that in the future a policy can be developed that can reduce the occurrence of Revenue and expenditure budgetary slack.

## **II. THEORETICAL BASIS AGENCY THEORY**

Agency theory explains the contractual relationship between the principal and the agent to carry out tasks on behalf of the principal by delegating some tasks and authority to the agent. (Jensen et al., 1976). The agent will later be responsible for the tasks and responsibilities that have been delegated (Ikhsan, 2017). At the beginning of the year, the agency will draw up a budget to be implemented and account for it at the end of the year. At the time of preparation of this budget there was a budgetary slack where the expenditure budget was budgeted to exceed needs and the Revenue budget was budgeted to be below the existing potential. This makes the principal provide the appropriate incentives for the agent to limit agent activities that deviate or harm the principal (Jensen et al., 1976). Budget executors have a tendency to design spending budgets that are larger than actual needs and revenue budgets that are lower than their potential (Halim & Abdullah, 2006). Budget executors have a tendency to prepare budgets that are safe to implement (Halim & Abdullah, 2006). It is in the principal's interest that the agent prepares a budget as needed so that the remaining budget can be allocated to the activities of other divisions. In preparing the revenue budget, it is the principal's interest that the agent prepares revenue targets according to their potential.

slack is a condition where there is a difference between the budget and the best estimate of the organization (Anthony & Govindarajan, 2007). Budgetary slack is a condition where the revenue budget is prepared lower and the expenditure budget is estimated to be higher. Budgetary slack occurs due to causes that encourage budgeting that exceeds needs and budgeting Revenue that is lower than the potential. Budgetary slack also has an impact on the organization so that budgetary slack needs to be controlled by implementing strategies that can reduce budgetary slack. The following are the causes, impacts, and strategies for reducing budgetary slack. Budgetary slack is caused by several causes from internal and external organizations that encourage budgetary slack so it is necessary to map the causes of budgetary slack so that budgetary slack can be reduced. Budgetary slack occurs because budget implementers tend to prepare budgets that are easy to achieve (Ghazi et al., 2020). Budgetary slack is done so that targets are easy to achieve so as to get a good performance appraisal (Aji et al., 2018). This is done by compiling a budget that exceeds the real needs to carry out the work (Widanaputra & Mimba, 2014). In implementing the budget, of course, there will be various obstacles and uncertainties. Budgetary slack is driven by interests to avoid the risk of uncertainty (Adhariani, 2018). State ministries face various difficulties in carrying out work due to the large amount of assets managed by several work units (Rossieta & Asmawanti, 2010). Ministry Y faces challenges in carrying out its duties due to managing large funds managed by several work units so that at the end of the year there is a significant remaining budget. Budgeting by involving employees creates opportunities for budgetary slack because budgets are structured so that they are easy to achieve and get performance appraisals as expected (Widanaputra & Mimba, 2014). Budgetary slack occurs because there is motivation to get more incentives by setting budget targets that are easy to achieve (Yde, 2020). Information asymmetry also triggers budgetary slack because leaders do not have all the information that managers have so there is biased information (Aji et al., 2018).

The budget has an impact on employee behavior because it relates to what is expected (Ikhsan, 2017). The budget influences the behavior of the budget preparer so that the budget prepared is easy to achieve. A department will get more resources than others if there is a budgetary slack (Yde, 2020). Budgetary slack will make the implementation of other programs not optimal. In addition, there will be bias in performance appraisal because the budget is prepared deliberately to be easily achieved. Budgetary slack will cause a bias in performance appraisal in public sector organizations (Sarwendhi, 2021). The remaining budget at the end of the fiscal year makes a budget surplus. Budget surpluses occur when the realization of Revenue is greater than spending or due to spending efficiency or showing low spending absorption (Widanaputra & Mimba, 2014). Excessive budgeting shows personal motivation from the budget preparer (Adhariani, 2018). The remaining budget with a significant amount indicates budgetary slack. The budget describes the commitment and responsibilities of budget executors to achieve organizational goals (Anthony &

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Govindarajan, 2007). Budgetary slack means there is a remaining budget at the end of the year. Budgets that are not implemented optimally reflect that job responsibilities have not been fully implemented to achieve organizational goals. If budget optimization can be carried out, the performance appraisal will be considered optimal. On the other hand, budgetary slack also has a negative effect on the performance of government officials (Puspitasari et al., 2017). This is because budgetary slack makes budget executors not work as optimally as possible because the targets set are easy to achieve. Strategies in Reducing Budgetary Discrepancies, there are several strategies to reduce budgetary slack, including; Preparation of a budget that can be achieved but can also be a motivation (Anthony & Govindarajan, 2007). Reducing reserves in the budget will cause inefficiencies due to low estimated revenues and high estimated expenditures (Mardiasmo, 2009). Control of political aspects in budget preparation (Haliah, 2021). Participatory budgeting by involving employees in preparing the budget (Rifqi et al., 2017). Preparation of budgeting guidelines (Anthony & Govindarajan, 2007). Analyze Revenue and expenditure variances for improvement (Ikhsan, 2017).

### III. RESEARCH METHODS

This research is a qualitative research with a case study approach. Qualitative data analysis was carried out to make a valid conclusion from the data that has been collected (Bougie & Sekaran, 2020). Qualitative research with a case study approach can provide an overview of the causes of Revenue and expenditure budgetary slack, the resulting impacts, and formulate steps that should be taken by Bureau X of Ministry Y in managing Revenue and expenditure budgetary slack. This research was conducted at Bureau X of the Ministry of Y. Bureau X was the work unit that received the largest revenue and expenditure targets when compared to all work units within the scope of Ministry Y. The selection of informants interviewed was carried out purposively, namely the parties involved in budgeting and implementing the budget at Bureau X of the Ministry of Y. In this study six key informants were interviewed, namely; Head of Bureau X, Head of Administration Subdivision, Subdivision for Building and Office Building, Head of the State Property Administration Team, operator of the financial application system, and staff of the state property administration subdivision. The data used in this study are primary data and secondary data. Primary data was obtained from observations and interviews with parties related to the budgeting process and budget execution at Bureau X Ministry of Y. While secondary data was obtained from documents related to the budget and financial reports from 2018 to 2022. collected will then be analyzed in depth to answer the research questions. This research uses case study method. Case studies are used by collecting all information on a case so that clear information is obtained about a problem (Bougie & Sekaran, 2020). There are three stages of qualitative data analysis in this study, namely data reduction, data presentation, and drawing conclusions (Bougie & Sekaran, 2020).

### IV. RESULTS AND DISCUSSION

Slack occurs when revenue targets are set below the existing potential, while budgetary slack occurs when spending targets are designed to exceed the existing budget requirements. This can be seen from Table 1 of the budget and the realization of Revenue and spending.

**Table 1. Budget and Revenue Realization of Bureau X for 2018-2022**

Tahun	Anggaran Pendapatan	Realisasi Pendapatan	%
2018	100,000,000	3,329,170,814	3,329.17
2019	100,000,000	6,276,554,855	6,276.55
2020	100,000,000	4,356,580,552	4,356.58
2021	410,257,000	4,564,696,201	1,112.64
2022	3,030,423,000	9,653,420,407	318.55

Source: Bureau X Financial Report for 2018-2022

Based on budget data and revenue realization in Bureau X's Financial Report for 2018 to 2020, it can be seen that the revenue target was set at Rp. 100,000,000.00 with realization in 2018 of Rp. 3,329,170,814, in 2019 of Rp. 6,276,554,855, and in 2020 IDR 4,356,580,552 in 2020. The percentage of achieving the revenue target ranges from 3 thousand to 6 thousand percent. This achievement shows that the revenue target set at the beginning of the year was too low so that the realization far exceeded the target set. The Head of the Administrative Subdivision and the Head of the State Property Administration Team said that the setting of the low target was due to not being based on calculations and the possibility of errors in the calculations so that the realization far exceeded the target set.

The following is the budget data and expenditure realization for Bureau X for 2018-2022 in Table 2.

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Table 2. Budget and Expenditure Realization of Bureau X 2018-2022

Tahun	Anggaran Belanja	Realisasi Belanja	%
2018	175,700,000,000	161,592,094,237	91.97
2019	171,200,000,000	160,364,614,133	93.67
2020	175,000,000,000	161,487,101,823	92.28
2021	169,200,000,000	162,558,920,731	96.08
2022	166,648,000,000	162,734,201,766	97.65

Source: Bureau X Financial Report for 2018-2022

Based on budget data and expenditure realization in the Financial Statements for 2018 to 2022, the expenditure target ranges from 166 billion to 175 billion with realization of around 160 to 162 billion so that the actual achievement ranges from 91 to 97%. The Head of the Administrative Subdivision and the operator of the financial application system, the budgeting module, said that spending targets tend to be exaggerated by each division and are not based on needs analysis, causing budgetary slack.

### 1. Causes of Budgetary Slack

There are several causes for the occurrence of revenue and expenditure budgetary slack in Bureau X, among others due to accounts receivable that are not included in the calculation of revenue targets, time constraints in preparing the budget, changes in government policies that create uncertainty, limited human resources, dynamics in budget execution and there is a performance appraisal.

- There are receivables that are not included in the calculation of revenue targets. Receivables that are not a component in calculating the revenue target make the realization of Revenue far exceed the target. The head of the state property administration team and the staff of the state property administration subdivision explained that the revenue target only includes rental and apartment Revenue without taking into account the payment of receivables. The head of the state-owned property administration team conveyed accounts receivable arising from lengthy procedures. "Constraints in managing revenues lead to receivables. Receivables occur due to negligence and lengthy procedures in extending the lease contract. Rental contract extensions can be completed in a short time, namely 2 weeks or up to 3 months. Receivables at Bureau X were due to late payments by tenants, one of which was caused by lengthy rental payment procedures. In SOP Number 11/SOP/SU/2021 concerning the Process of Utilizing State Property, it is stated that submitting a document proposing to lease state property until the issuance of a Lease Determination Decree takes 19 days and the lessee is given 7 days to pay until a cooperation agreement is issued.
- Time constraints in preparing the budget. Preparation of the budget faces a limited time so that the preparation of the budget is based on the previous year's budget data with several adjustments without conducting a needs analysis. The Head of the Administrative Subdivision and the operator of the budgeting module financial application system said that each section tends to exceed the proposed budget and that no previous needs analysis has been carried out. The Head of the Administrative Subdivision describes the time constraints in preparing the budget. "The incoming budget at Bureau X was suddenly directed to prepare a TOR and a budget plan, which usually had to be done in a week. Planning should be well prepared with a needs analysis, but because of the suddenness, *the copy and paste* of last year's budget has been changed several times and there is indeed a tendency to exceed the budget." The limited time for preparing the budget causes the budget preparer to prepare the budget not based on the needs of the following year but based on last year's budget which made several adjustments to types of spending. Budget preparers tend to repeat the budget from the previous year's budget ( Halim & Abdullah, 2006).
- Changes in government policy. Government policies that change in budget execution cause budgetary slack. This uncertainty over government policy makes the expenditure budget tend to be exaggerated and the revenue budget tends to be designed to be lower than its potential. Bureau X carries out budget *refocusing* to deal with changes in government policy as stated by the Head of Bureau X. "During budget execution, budget *refocusing* occurs so that the budget is cut due to changes in government policy." The Head of Bureau X and the Head of the Administrative Subdivision said that the policy change would reduce the budget so that the work unit would revise the budget. Budget revisions reflect that budget execution is carried out flexibly. Budgetary slack is caused by the risk of uncertainty and the lack of ability to predict what will happen in the future. This makes budget preparers tend to exceed the budget prepared to deal with changes in government policy. Budget preparers do have a tendency to prepare budgets that are safe to implement (Halim & Abdullah, 2006). Budgetary slack in ministries is due to uncertainty over policy changes which will ultimately result in low budget absorption ( Rosseta & Asmawanti, 2010).
- Limited human resources. The limited number of human resources results in a limited number of employees who understand budgeting and a limited number of employees who implement the budget to achieve the set targets. The Head of Administration Subdivision explained that there is only one budget input operator. "Currently the problem is that there is only one operator to input the budget proposal." The limited number of employees in preparing the budget makes the needs analysis unable to run

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as it should. In addition, the operator of the financial application system, the budgeting module, has a large workload to input the entire budget proposal. The preparation of the revenue budget also faces the same constraints in the form of limited human resources so that the revenue target is designed to be easy to achieve due to the absence of a sufficient number of employees to carry out revenue collection. The staff of the state property administration subdivision conveyed who was involved in the preparation of the revenue budget. "The preparation of revenue targets is carried out by the team leader and his two staff." Budget preparers do have a tendency to prepare budgets that are easy to achieve (Ghazi et al ., 2020). The revenue and expenditure budget for Bureau X is designed by budget preparers to be easy to achieve so that it indicates the occurrence of budgetary slack in Bureau X. Staff tend to create budgetary slack to make it easier to achieve realization because realization is used as the basis for assessing performance (Widanaputra & Mimba, 2014).

- e. Dynamics in budget execution. Bureau X faces dynamics in implementing the budget in the form of carrying out unexpected tasks such as building maintenance and leadership services that cannot be predicted in advance. The dynamics in the implementation of this budget make the budget designed beyond actual needs. Head of Bureau X conveys how to deal with dynamics in budget execution by optimizing the budget. "Dynamics are controlled by optimizing the budget after budget cuts." Bureau X in 2022 will carry out 47 POK revisions and 13 DIPA revisions based on the 2022 Bureau X Government Agency Performance Accountability Report. The number of these revisions indicates high dynamics in budget execution in Bureau X so that each division tends to overstate budget proposals to deal with dynamics in implementation budget. Budget preparers do have a tendency to draw up loose budgets to implement. (Ikhsan, 2017).
- f. There is a performance appraisal. Target achievement affects performance appraisal at Bureau X as explained by the Head of Bureau X. "Performance indicators influence because there are Budget Executor Performance Indicators." There is an assessment of planning, finance, state-owned property management activities with Activity Performance Indicators Service Level Management Planning, Finance, state-owned property with a target of 90% and 98.96% realization and performance achievement of 109.95% listed in the Performance Accountability Report Government Agencies Bureau X of 2022. The existence of this performance evaluation reflects that performance evaluation is related to planning and state property so that budget preparers have a tendency to prepare budgets that are easy to achieve. The budget is used to assess the performance of budget executors by comparing between the budget and the realization achieved (Widanaputra & Mimba, 2014). The Head of Bureau X, the Head of the State Property Administration Team, and the operator of the budgeting module financial application system explained that the targets achieved affect performance appraisal by measuring *outputs* and *outcomes* so that budget preparers prepare budgets that are easy to achieve. Budget preparation that is easy to achieve shows that there is budgetary slack in order to get a performance appraisal that is in line with expectations (Aji et al ., 2018).

### 2. Impact of Budgetary Slack

Slack that occurs in the preparation of the Revenue and expenditure budget has an impact, namely the potential for inefficient spending and a lack of motivation to achieve revenue targets.

- a. There is potential for inefficient spending. The potential for inefficient spending occurs because the spending budget is designed to exceed the budget requirements so that during budget execution there is potential for spending inefficiencies. The budget allocation at Bureau X is considered not in accordance with the main points of spending policy, namely economy, efficiency, budget effectiveness as a form of implementing *value for money* (Records of the Inspectorate General's Review of Bureau X's Budget). The Head of the Administrative Subdivision explained that spending efficiency is not a focus on executing the budget. The Head of the Administrative Subdivision also stated that the focus on spending was not efficiency, but budget absorption. "One of the indicators is the absorption of the budget so that the trend is increasing every year the budget." Budgets that are designed to exceed actual needs create hidden reserves that will lead to potential inefficiencies (Mardiasmo, 2009). The budget designed exceeds needs due to budgeting behavior motivated by personal interests (Adhariani, 2018). This personal interest can be in the form of a performance appraisal so that targets can be achieved and make it easier to run the budget.
- b. Lack of motivation to achieve revenue targets as indicated by accounts receivable. The Head of the State Property Administration Team explained that there were accounts receivable at Bureau X. "One of the obstacles is accounts receivable because if the taxpayer pays on time it is easy to carry out actual calculations but because there are receivables, the timely assumption cannot be used and finally payments are late." Receivables can indicate that employees who handle Revenue are less motivated to achieve targets due to the absence of *rewards* for achieving the targets set. One of the reasons for the existence of accounts receivable is that there are no *rewards* given if the revenue target is achieved. The budget influences the behavior of budget preparers and implementers because it relates to what is expected (Ikhsan, 2017). Budget executors will be motivated if they get *rewards* when they reach the targets set. Budgetary slack has a negative impact on the performance of government employees (Puspitasari et al ., 2017). This makes a lack of motivation in achieving revenue targets because the targets set are easy to achieve.

### 3. Strategies in Reducing Budgetary Discrepancies

Strategies that have been implemented to reduce budgetary slack include:

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- a. There are guidelines in preparing the budget. There are guidelines in preparing the budget in the form of Input Cost Standards, setting priority scales in spending, employee participation in preparing the budget, as well as research and budget reviews. The Head of the Administrative Subdivision conveyed regarding the existence of budgeting guidelines. "There are budgeting guidelines issued by the Ministry every year." The preparation of the budget is based on guidelines and will then be reviewed by the leadership (Anthony & Govindarajan, 2007). Budgets prepared based on guidelines will reduce budgetary slack because each proposed budget plan is based on predetermined cost standards. In addition, budget guidelines provide performance standards for budget execution so that they are carried out efficiently and effectively (Mardiasmo, 2009).
- b. Determination of priority scale in spending. Bureau X applies a priority scale in expenditure where the priority of expenditure is the maintenance of buildings and the implementation of household tasks. The Head of the Administrative Subdivision explained the spending priorities at Bureau X. "The majority of jobs in Bureau X are services and the priority is the activities carried out by the Physical and Household Infrastructure Section." The priority scale will provide an overview of which expenditures will receive the largest expenditure allocations and which expenditure allocations can be postponed.
- c. Employee participation in budget preparation. Employees at Bureau X participate in preparing the budget at Bureau X so that it shows that participatory budgeting is applied. Head of Bureau X explains employee participation in budget preparation. "In preparing the budget, all employees are involved through the Team Leader and their respective Sub-coordinators. Participatory budgeting will reduce the possibility of budgetary slack because there are many parties participating in preparing the budget. Budgeting that involves employees will reduce budgetary slack (Rifqi et al., 2017).
- d. There is research and budget review. After preparing the budget, research and budget review will be carried out where the budget that has been prepared will be examined and reviewed to reduce the possibility of budgetary slack. In the Regulation of the Minister of Finance of the Republic of Indonesia Number 208/PMK.02/2019 concerning Guidelines for the Preparation and Review of Work Plans and Budgets of State Ministries/Institutions and Ratification of the Budget Execution Form List, it states that the budget that has been prepared will be scrutinized by the Ministry Planning Unit and reviewed by APIP K/L to then be compiled and signed by the Minister/Leader/Institution/Budget User. The budget that has been prepared will be examined by the Budget Planning Bureau and will then be reviewed by the Inspectorate General. Notes on the results of the review will be issued by the Inspectorate General after research and review of the budget to improve the budget proposals that have been prepared previously. The Budget Planning Bureau is a budget committee or department that handles budget matters. This shows that there is internal control over the preparation of the budget. The budget committee has the duty to review and approve budgets and budget revisions (Anthony & Govindarajan, 2007). This budget committee has the task of conducting a detailed budget analysis so that the budget prepared is in accordance with the needs (Anthony & Govindarajan, 2007).

## V. CONCLUSIONS

This study found that there were several causes of budgetary slack in Bureau X Ministry Y, namely first there were receivables that were not included in the calculation of the revenue target, second there was time constraints in preparing the budget, thirdly changes in government policy which created uncertainty in the implementation of work, fourth there were limitations human resources, the fifth is the dynamics in budget execution, and the sixth is performance appraisal. There are impacts arising from budgetary slack, namely; there is potential for inefficient spending and a lack of motivation to achieve revenue targets as indicated by accounts receivable. As for the strategies for reducing budgetary slack that have been implemented, namely; the existence of guidelines in preparing the budget, setting priority scales in spending, employee participation in preparing the budget, and the existence of research and review of the budget. Based on this description, this study provides an illustration that budgetary slack occurs in government agencies (Bureau X Ministry of Y) where the expenditure budget is prepared beyond needs and the revenue budget is set below the existing potential. This results in the remaining budget at the end of the year.

Limitations in this study related to the limited time for conducting research, namely the busyness of informants in carrying out work assignments. In addition, the research period was not carried out during the budget preparation period so that observations were limited to observing the implementation process and budget revisions. It is recommended for future researchers to carry out research at the time of preparing the budget so as to get a full picture of how the budget preparation process is from start to finish. For the General Bureau, budgetary slack in Bureau X can be minimized by preparing a budget plan and terms of reference beforehand and developing a revenue management system that facilitates the preparation of proposals for revenue targets.

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