Analysis of Factors Influence in Realization of Good Governance (Study on SKP (Tax Assessments) Pekanbaru City)

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Abstract: This study aims to analyze the influence of local financial management, performance accountability system of government agencies and internal government control system, in realizing good governance in Pekanbaru city. Subjects in this study are at least echelon 3 and 4 officials in each Unit of Work Device Area (SKPD) in the city of Pekanbaru which has served at least one year. The method of analysis that is used in this research is multiple linear regression analysis. In this study, the samples are used in amount of 120 respondents, who are selected by using purposive sampling method. The analysis tool that is used in this research is Statistical Product and Service Solution (SPSS) version 22.0. Based on the analysis that has been done, the results of research indicate that local financial management has significant influence in realizing good governance with significant level 0,000, performance accountability system of government institution has not significant influence in realizing good governance, internal control system has significant influence in realizing in realizing good governance with a significant level of 0.000. The result of Adjusted R-Square proves that the variable of regional financial management, performance accountability system of government institution and internal government control system influences in realizing good governance are 43,8%. While the rest equal to 56,2% that are influenced by other variable not examined in this research.

Keywords: Regional Financial Management, Performance Accountability System of Government Institutions, Government Internal Control System and Good Governance.

1. INTRODUCTION

Explanation of Law No 1 year 2004 concerning state treasury states; In public sector financial management that has been done so far by using state superiority approach has made the government apparatus engaged in public sector financial management activities, which are no longer considered to be in the professional management group by the professionals. Therefore, it is necessary to redecorate the government's financial management by applying good governance principles that are appropriate for government environment.

UNDP (United Nations Development Programme) (LAN-BPKP, 2000) in the implementation of good governance there are 9 principles namely; participation, rule of law, transparency, responsiveness, consensus-oriented, fairness, effectiveness and efficiency, accountability and strategy vision. Basic implementation of good governance in the management of state and local finances can be seen from the 1945 Constitution, *Permendagri* (Minister of Home Affairs) NO 13 year 2006, Law No. 17 year 2003, and Law No 25 Year 2004 states that the management of state/regional consists of transparency, accountability and participation. These three principles according to (Kurniawan, 2014) are the main principles of good governance.

Index of Indonesia's good governance is still low. International transparency research results show that Indonesia's perception of corruption in 2013 is in the rate of 114 out of 177 countries. Similarly, data from the governance indicator of the World Bank that shows the good governance index of Indonesia is still low at level 37 from the maximum level of 100. According to the chairman of the Financial Services Authority *(OJK)* commissioner, learned from the experience that can be taken from several financial crises in the period 1990 and 2001, then the global pandemic, including Indonesia, is too expensive to pay for a failure to implement the good governance. Whether in the commercial sector as well as in the public sector and all parties such as industry players, professions, consumers, governments and financial sector regulators. Therefore, the awareness of effective implementation of good governance in the financial industry needs to be done systematically and continuously (www.ayopreneur.com). Implementation of good governance.

Implementation of Government Institution Performance Accountability System (SAKIP) can encourage government agencies to realize good governance and eradication of corruption. To support the creation of these things, the right targets and performance indicators should be established. Targets and indicators of government performance that can drive eradication of corruption, will result in services that are delivered to the community more quickly, cheaply and without having to deal with corrupt practices such as giving bribes. This will provide a level of satisfaction for the community for public services that are provided (Kurniawan, 2014).

Some research on the implementation of SAKIP (Government Institution Performance Accountability System) on good governance has been done by Nofianti (2012), with the result of research implementation of performance accountability system of government institution correlated strongly with the implementation of good governance in 14 local government offices in Ciamis Regency. Regarding to the research of Widyawati, et al from finding the performance of government apparatus has no influenced on good governance. While Nurlaelahas found that good governance influence the performance accountability of government agencies in Ciamis. Dalimunthe *et al.*, (2016), Lubis*et al.*, (2016) with the result of research finding the performance of government apparatus has influenced on good governance.

In realizing good governance, it is necessary to apply the Government's internal control system (SPIP). Government Regulation no. 60 year 2008 on the Government's Internal Control System requires every government agency to establish control. In Article 1 paragraph 1 of PP. 60 of 2008 stated that the internal control system is an integral process on the actions and activities that are carried out continuously by the leadership and all employees to provide reasonable assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets and compliance towards the legislation.

Some research on the implementation of SAKIP (Government Institution Performance Accountability System) on good governance has been done by Jajang Badruzaman, Irna Chairunnisa, with the research result in implementation of performance accountability system of government institution that correlated strongly with the implementation of good governance in 14 local government offices in Ciamis Regency. Regarding to the research of Susanti Widyawati, *et al.* from finding the performance of government apparatus has no influenced on good governance. While WalaSitiNurlaela found that good governance has influenced the performance accountability of government agencies in Ciamis.

The research to implement good governance has been done by TaufeniTaufik, Dian Kemala (2013) found that understanding the principles of good governance influences public sector performance directly and indirectly in amount of 19,521%. Then Yuliana, TaufeniTaufik and EnniSavitri (2015), found the result of internal government control system influence on the implementation of good governance, with coefficient determination in amount of 55,90%. Furthermore, AdriaPratamaPutri, TaufeniTaufik andSusilatri, (2016), found that the internal control system has influenced on the value of financial reporting information of the region in SKPD (Unit of Work Device Area) of RokanHilir Regency.

While LenyNofianti, in year 2012, found that the implementation of good governance has positive effect on performance accountability in SKPD (Unit of Work Device Area) of Riau Province. Then Elvira Zeyn, in year 2011, found the influence of good governance and government accounting standards have influenced on financial accountability. While Ristanti (2014) found that the system of internal control affects the implementation of good governance. The better implementation of the control system, the better the implementation of good governance will be. This is different from the research that was conducted by Ruspina (2013) states that there is no correlation between the system of internal control with the implementation of good governance.

2. LITERATURE REVIEW

There are several theories that are chosen as state of art in this research, there are; Agency theory, fund theory and enterprise theory.

2.1. Agency Theory

Theories that explain this principal and agent relationship are rooted in economic theory, decision theory, sociology, and organizational theory. The principal-agent theory analyzes the contractual arrangement between two or more individuals, groups, or organizations. One party (principal) makes a contract, either implicitly or explicitly, with the other party (agent) in the purpose that the agent will act/perform the job as the principal wants (in this case delegation of authority). The contractual relationship can be seen in Law No. 25 year 2004, where in his explanation of the amendment of the 1945 Constitution states that the selected president is elected directly by the people.While the contractual relationship in the region can be seen from the Law No. 32 Year 2004, in the explanation point 4 states the Regional Head and Deputy Head of Regional are elected directly by the people. Lupia&McCubbins (2000) state that delegation occurs, when a person or group of people (the principal) chooses another person or group (agent) to act in the interests of the principal. According to Ross (1973) examples of principal-agent relationships are very universal.

2.2. The Enterprise Theory

Along with social progress and increased public accountability by corporations and government organizations, accounting theory has also changed. This is evidenced by the emergence of enterprise theory. In this theory the focus of attention is the whole party or contestant who has involved or has interests either directly or indirectly with the government. For example; Communities, governments, employees, regulators, employees, creditors, investors, tax authorities and other interested parties.In this theory, interested parties should be considered in presenting financial information (Muda and Dharsuky, 2015). According to this theory, accounting should not only emphasize information for entity owners, but also other parties who also contribute directly and indirectly to the existence and success of a company or institution. The emergence of employee reporting, human resources accounting, value added reporting, environmental accounting, socio-economic accounting are phenomenon that are in line with the theory of this enterprise (Tarmizi *et al*, 2016).

This enterprise theory can also be implemented in public sector organizations, one of which is the local government. In the administration of the state, the government must pay attention to the interests of society as a whole. Governments are required to support the success of government administration, and state finances must be managed orderly, law-abidingly, efficiently, economically, effectively, transparently and accountable manner due regard to justice and fairness.

2.3. Framework for Thinking and Development of Hypotheses

2.3.1. Effect of Regional Financial Management toward the Implementation of Good Governance

In the framework of the management of state and regional finances, must be based on the principle of good governance, which is stated in Article 3 paragraph 1, Permendagri (Minister of Home Affairs) No. 13 year 2006 on the banner of regional financial management as follows; Regional finances are managed in an orderly, law-abidingly, effectively, efficiently, economically, transparently and accountable manner due regard to the principles of justice, decency and benefit to the community.Research that was conducted byRistanti (2014) found that there is a positive and significant relationship between local financial management and the implementation of good governance. It was also found by Ruspina (2013) that there is a positive and significant relationship between local financial management and the implementation of good governance. Based on the above, the research hypothesis is formulated as follows:

H_1: Regional Financial Management influences the implementation of Good Governance in SKPD (Unit of Work Device Area)of Pekanbaru City.

2.4.2. Influence of Performance Accountability System of Government Institution to the implementation of good governance

Implementation of SAKIP (Government Institution Performance Accountability System) can encourage government agencies to realize good governance and eradicate corruption. To support the creation of these things, the right targets and performance indicators should be established. Targets and indicators of government performance that can driveeradication ofcorruption, will result in services that are delivered to the community more quickly, cheaply and without having to deal with corrupt practices such as giving bribes. This will provide a level of satisfaction for the community toward public services that are provided (Kurniawan, 2014).

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2.4.3. *The influence of the government's internal control system on the Implementation of Good Governance*

In an organization a leader must be able to create a good control environment, that is by having integrity and ethical values, and able to place employees according to the job / field so that employees can understand their work well and can be accountable for the task then the system will run effectively and efficiently with the principle of good governance. After creating a good control environment the leader must be able to identify / calculate the possible risks that will threaten the achievement of the organization's goals based on the legislation in accordance with the principles of good governance.

Effective internal control can help the government to minimize the occurrence of weaknesses, errors and fraud risks. With effective internal control, organizational goals can be achieved effectively and efficiently, financial reporting is done reliably, asset security can be done and encourage compliance with regulations (Mardiasmo, 2009), so the better the internal control system in the organization the better the implementation of good governance will be.

Based on the research of Ristanti (2014) found that the internal control system has a positive and significant impact on the implementation of good governance. This is also supported by research conducted by Wijaya (2014) who found that the internal control system has a positive and significant impact on the implementation of good governance. Based on the above, the research hypothesis is formulated as follows:

H_3: Internal Control System influences the implementation of Good Governance in SKPD (Unit of Work Device Area)ofPekanbaru.

3. RESEARCH METHODS

3.1. Location and Time of Research

This research was conducted in Pekanbaru City appropriately within the Unit of Work Device Area (SKPD).

3.2. Population and Sample

The population in this research is the device of Unit of Work Device Area(SKPD) of Pekanbaru City. The sampling technique is purposive sampling. Purposive sampling is a sampling technique with certain considerations, where the technique of sampling is based on the assessment of the researcher that he is the best party used as a sample of research. Respondents in this research are Secretary, Head of Sub-division and Personnel, and Head of Finance Sub-Section in each Unit of Work Device AreaSKPD, where these respondents play a direct role as an agent in realizing good governance through financial management and

performance of respondents in managing the government achieve vision, mission and goals. Respondents in this study are in amount of 129 people from 43 SKPD (Unit of Work Device Area) existing and each of SKPD (Unit of Work Device Area) there are 3 Respondents.

3.3. Types and Data Sources

The type of data that is used in this study is primary data as the source of research data, which is obtained directly from the original source. The type of this study is explanatory survey which describes the relationship of a phenomenon. This study data is a primary data which is based on a direct assessment through a survey mechanism in the field (Dalimunthe *et al.*, 2016). The locations of the study scope were the Local Government (Sirojuzilam *et al.*, 2016). Where the data is obtained directly from the Secretary, Head of general and staffing, and Head of Section of SKPD (Unit of Work Device Area) finance in Pekanbaru City by using a list of statements in the form of questionnaires to collect information from the object of the study where respondents are allowed to give answers that are considered most appropriate.

3.4. Operational Definition and Variable Measurement

Variable in this research is dependent variable and independent variable. Dependent variable in this research is Good Governance, while the independent variables are the management of local finance, performance accountability system of government agencies, and internal control system. The measurement used in this research is measurement by using Likert Scale. Likert scale is most often used by perception researchers and is suitable for measuring respondent attitude response to the object of variables that are studied (Sugiyono, 2014).

3.5. Data Analysis Method

This research uses multiple linear regression analysis to test hypothesis in this research. In multiple linear regression analysis, in addition to measuring the strength of the influence of independent variables on the dependent variable also shows the direction of the influence. The test is based on multiple linear regression equation as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Information :

Y = Good Governance

X_1 = Regional Financial Management

X_2 = Performance accountability system of government agencies

X_3 = Government internal control system

4. RESULTS AND DISCUSSION

4.1. Research Result

The descriptive statistics in this study are as follows:

Table 1
Descriptive Statistics Results Table

	N	minimum	maximum	mean	Std deviation
Financial	120	39.00	65.00	51.4833	4.70112
management	120	75.00	110.000	88.0833	6.44770
SAKIP	120	130.000	176.000	146.000	7.55039
SPIP	120	45.000	75.00	59.4250	0.9541
Good Governance					

Sources: Data Processed sources (2017).

4.2. Data Quality Test Results

After the data is collected, the selection is complete for analysis. The next step is to test the validity and reliability of data from items of celebration for each variable, namely state financial management (X1), SAKIP (X2), SPIP (X3), and Good governance (Y). Validity and reliability testing will be done by using SPSS 19 statistical software.

4.2.1. Validity Test Results

Determination of data validitywasusing Correlation Coefficients Pearson and by using SPSS (Sugiyono, 2013). The result of correlation between variables compared with the range of correlation numbers -1, 0 and +1 at a significant level of 0.05 if r arithmetic close to 1, then the instrument is valid. Conversely, if r arithmeticclose to 0 (increasingly away from the number 1) then the research instrument is invalid. In this study df = n-2 (120-2) = 118, so that r can be obtained for df (118) = 0,1509. And it is known that the value of r arithmetic e" 0.1509 means that all items are declared valid variable.Based on the results of validity test by using Correlation Coefficients Pearson above, it can be concluded all the items of question either on variable of Financial Management Area/X_1, Accountability System of Government Institution / X_2, Internal Control System of Government/X_3 and Good Governance (Y) declared valid. It can be seen that all question items both on independent and dependent variables are worth r arithmetic > rtable.

4.1.2. Data Reliability Test Results

To measure this reliability test performed wasusing statistical test Cronbach Alpha (α). A construct or variable is said to be reliable if it gives an Alpha coefficient value greater than 0.600 (Ghozali, 2011). Reliability test results in this study indicate that the Alpha coefficient value of the variables that are studied shows mixed results and variables yield Cronbach Alpha values greater than 0.600. It can be concluded that the measuring tool that is used in this study is reliable.

4.2. Classic Assumption Test Results

4.2.1. Data Normality Test Results

By using normal P-P, the plot of data that is shown spreads around the diagonal line, then the regression model can be said to meet the assumption of normality (Santoso, 2010). In the normal graph P-P Plot is

seen spots spreads around the diagonal line, as well as its spreads by following the direction of the diagonal line. These two graphs show that the regression model is worthy of use because of the assumption of normality (Ghozali 2013).

4.2.2. Multicollinearity Test Results

Multicolinearity test aims to test whether in a regression model can be found a correlation between independent variables of research. A good regression model should not be correlated between independent variables. The presence or absence of correlation between these variables can be detected by looking at the value of Variance Inflation Factor (VIF).According to Ghozali (2013), VIF is the opposite of tolerance if a low tolerance value equals a high VIF value (because VIF = tolerance). The general way that is used to denote multicolonierity is that if tolerance values> 0.10 or equal to VIF <10 then multicollonierityoccur in this study. Result of tolerance of financial management is 0,793, SAKIP in amount of 0,983 while SPIP in amount of 0,784. While the VIF financial management result is 1.261, SAKIP in amount of 0.983, SPIP in amount of 1.275. From the above calculation results show that the VIF <10 for all independent variables, as well as the tolerance value> 0.10. Thus it can be concluded that there is no multicolinearity between independent variables in this study.

4.2.3. Heteroscedasticity Test Results

Heteroskedasticity test is conducted in order to test whether in the regression model there is a variance inequality from one residual observation to another observation (Ghozali, 2011). If the variance of the residual one observation to another observation remains, it is called homoscedasticity and if different is called heteroscedasticity. A good regression model is homoscedasticity or doesn't occurheteroscedasticity.

If the plot graph shows a wavy or widened point pattern then narrows, it can be concluded that there has been heteroscedasticity. However, if there is no clear pattern, the fiber dots spread above and below the number 0 on the Y axis, and then there is no heteroscedasticity (Ghozali, 2011). From the Scatterplot image above shows the data spread randomly above and below point 0 on the Y axis, then there is no heteroscedasticity.

4.2.4. Autocorrelation Test Results

To detect the presence or absence of autocorrelation can be seen from the value of Durbin Waston (DW). If the DW number is below -2, then there is a positive autocorrelation. If the DW number is between -2 to +2, then there is no autocorrelation. If the DW number is above +2, then there is a negative autocorrelation. Based on the result of research known d value (Durbin Watson) lies between -2 and +2 = -2 <1,563 <+2. It can be concluded that no autocorrelation was found in the regression model.

4.3. Results of Multiple Regression Analysis

Based on the calculation with SPSS for Windows version 19.0 is obtained coefficients on the Linear Regression Equation as follows:

$$Y = 7,796 + 0,324 \ X_1 + 0,011 \ X_2 + 0,258 \ X_3$$

4.3.1. T-Test Results (partial correlation)

The t-test is used to determine the effect of independent variables on the dependent variable individually by measuring the relationship between the independent variable and the dependent variable. The t test requirement is Ho acceptable if F-count is smaller or equal to t-table and Hi is accepted if t-count is greater than t-table. And on t-table the result is 1.99. The result of partial test (t) on the independent variable is as follows:

Table 2
Coefficient values on multiple linear regression equations Coefficients [a]

Model		Un-standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	7.796	7.612		1.024	.308
	Financial Management	.324	.060	.420	5.373	.000
	SAKIP	.011	.044	.018	.262	.794
	SPIP	.258	.057	.354	4.505	.000

Sources: Data Processed sources (2017).

(A) Management of Regional Finance (X_1)

In the variable of Regional Financial Management (X1) the t-hit value is 5,373 with 0.000 significance level smaller than 5% confidence level. The value of t arithmetic (5,373) is bigger than t-table that is 1.99. This causes Ho is rejected and Hi accepted so that the variables of Regional Financial Management (X1) have significant effect on Good Governance (Y).

(B) Accountability System of Government Institution Performance (X_2)

In the variable of Accountability System of Government Institution Performance (X_2) t-count value is 0,262 with notsignificance level 0,794 bigger than 5% confidence level. The value of t arithmetic (0.262) is smaller than t-table that is 1.99. This causes Ho accepted and H1 is rejected so that the variable of Accountability System of Government Institution Performance (X_2) has not significant effect on Good Governance (Y).The activities of data collection, recording, outlining up to the financial reporting in the context of implementation accountability of each agency can run based on the experience of officer. The findings also answered and concluded that the factor of Experience and Quality of Human Resources simultaneously have affected the effectiveness of Governmental Accounting Standards (Muda *et al.*, 2017). The factor of Human Resources which understand the process of accrual basis government accounting required understanding the overall of governmental accounting standards included recognizing revenue, expenses, assets, debt, and equity in the financial reporting of accrual basis, as well as recognizing revenue, expenditure and financing in the reporting of budget execution by a base set in *APBN/APBD*(Lubis *et al.*, 2016).The expected benefits are the local government to produce the reliable financial statement and can be used as a foothold in the decision and then is expected to be a reference, benchmark and standard to be applied within the scope of government, i.e. central government, local government and organizational unit within the central/local government mandatory to present the financial statement in order to create more accountability and transparency of the financial management of the region.

(C)   Government Internal Control System (X$_3$)

In Government Internal Control System (X3) the value of t-arithmetic is 4,505 with 0.000 significance level smaller than 5% confidence level. The value of t arithmetic (4.505) is greater than t-table that in amount of 1.99. This causes Ho is rejected and Hi accepted so that Government Internal Control System (X$_3$) has significant effect on Good Governance (Y).

4.3.2. Analysis of Double Correlation Coefficient (R) and Coefficient of Determination (R²)

Based on the results of data processing, it is known that Regional Financial Management (X$_1$), Government Accountability System (X$_2$) and Government Internal Control System (X$_3$) have strong relationship with dependent variable, which is Good Governance (Y); it can be proved by value multiple correlation coefficients (R) of 0.661. In the table also can be seen that the value of multiple determination coefficient (R²) of 0.423. This shows that all independent variables together make a contribution to Good Governance (Y) of 42.30%. This means that the variables of Regional Financial Management (X$_1$), Accountability System of Government Institution Performance (X$_2$) and Government Internal Control System (X$_3$) affect Good Governance (Y) in government institution by 42.30%.

5. CONCLUSIONS

1.   Variable Management of Regional Finance (X$_1$) has significant effect on Good Governance (Y).
2.   Variable Accounting System Performance of Government Institution (X$_2$) has not significant effect on Good Governance (Y).
3.   Variable Government Internal Control System (X$_3$) has significant effect on Good Governance (Y).

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