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Internal Control System and Government Apparatus Competence toward Performance Accountability of Local Government

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Abstract: This study aims to determine the effect of the implementation of government internal control system and local government apparatus competence toward performance accountability of local government agency in Regency and City of Bogor in West Java, either partially or simultaneously. This research is a survey of all Local Government Working Units (SKPDs) except the districts. The number of selected SKPD-related was 38 SKPDs of Bogor Regency and 28 SKPDs of Bogor city. Questionnaires returned were 34 SKPDs of Bogor Regency and 25 SKPDs of Bogor city. Of 59 questionnaires returned, only 57 questionnaires that were eligible to be processed. This study used multiple regression analysis, which aimed to examine the effect of the implementation of government internal control system and local government apparatus competence toward performance accountability of local government agency in Regency and City of Bogor in West Java, either partially or simultaneously. The result showed that local government apparatus competence partially did not affect the performance accountability of local government agencies. However, the implementation of government internal control system affected the performance accountability of local government agencies. The simultaneous implementation of the internal control system and local government apparatus competence affected the performance accountability of local government agencies.

Keywords: internal control system, apparatus competence, and performance accountability

I. INTRODUCTION

According to Azwar Abubakar (2012), Performance Accountability System of Government Agency (SAKIP) is an integration of planning system, budgeting system, and performance reporting system, which is aligned with the implementation of financial accountability system. Diah Anggraeni, General Secretary of Ministry of Internal Affairs, Giving opinion of CPC is not separated from improved Internal Control System, it indicates if Control System is applied properly, the program and the planned activities can achieve the desired objectives and financial accountability and the performance becomes (Majalah Warta BPK, Juli

2013). The phenomenon that illustrates the lack of performance accountability is expressed by Vice President Boediono (2013) on local government in provincial level that there were five provincial governments obtained C, it was because the low level of commitment, legislation in the field of performance accountability that is poorly aligned, the absence of sanctions for government agencies that do not implement the performance accountability, capacity human resources in the field of performance accountability is still limited, SAKIP which is not integrated with national planning system and budgeting system. Based on the description and to obtain empirical evidence, then it requires further research regarding: "The Influence of Internal Control System Implementation and Government Apparatus Competence on the Government Performance Accountability".

II. REVIEW OF LITERATURE

2.1. Internal Control System

Coso (2013) defined the internal control as follows: "An internal control is a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in (1) effectiveness and efficiency of operation, (2) reliability of financial reporting, and (3) compliance with applicable laws and regulations." Government Regulation No. 60 Year 2008 on Government Internal Control System (SPIP) defined "government internal control system is a process that is integral to the actions and activities carried out continuously by management and all employees to provide reasonable assurance on the achievement of organizational goals through effective and efficient activity, the reliability of financial reporting, securing state assets, and compliance with the legislation."

Components of the internal control system according to the COSO (2013) are as follows: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communication, and 5) monitoring activities. Furthermore, According to Government Regulation No. 60 Year 2008 on Government Internal Control System stated that the components of government internal control consist of: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communication, and 5) monitoring.

Based on the above, measuring system of internal control in this study uses the dimension of Coso (2013) and Government Regulation No. 60 Year 2008 on Government Internal Control System.

2.2. Regional Government Apparatus Competence

According to Francesco Sofo (1990), "A Competency is composed of skills, knowledge, and attitude, but in particular the consistent application of Reviews those skills, knowledge, and attitude to the standard of performance required in employment". As according to Stewart and Brown (2011) defined "A core set of competencies are the human resource practice competencies which relate to the knowledge, skills, and abilities required to recruiting, hiring, and compensating employees".

The competence of local government apparatus in this study is employees or part of the accounting and finance staff working in local government. Based on the description above, to measure the competence in this study uses Francesco Sofo dimension (1990) and Stewart and Brown (2011), namely: 1) knowledge, 2) skills, and 3) attitudes.

2.3. Performance Accountability of Government Agency

Ledvina in Santoso and Pambelum (2008: 23) stated that performance accountability is an evolution of the activities carried out by an officer either on the authority track and already far beyond the responsibility and authority.

Lembaga Administrasi Negara (1999: 3), Lembaga Administrasi Negara and BPKP (2000: 43), defined the accountability, namely the obligation to give an account or to answer and explain the performance and actions of a person or legal entity or a collective leadership of an organization to the party who has the right or the authority to request information or accountability.

The attachment of the Keputusan Kepala Lembaga Administrasi Negara Nomor: 239/IX/6/8/2003, provides a definition of performance indicators, ie quantitative and qualitative measures that describe the level of achievement of an activity that has been set, consisting of:

- (a) Input is anything that is needed so that the implementation of activities and programs can be run or in order to produce output, such as human resources, funds, materials, time, technology, and so on.
- (b) Output is anything in the form of products or services (physical or non-physical) as a direct result of the implementation of activities and programs based on the input used. By comparing the output, the agency can analyze the extent of the activities carried out in accordance with the plan. Output indicator can only be the basis for assessing the progress of an activity if the benchmark is associated with a well-defined and measurable activity target.
- (c) Outcome is anything that reflects the functioning of output activity in the medium term. Outcome is a measure of how much of each product or service can meet the needs and expectations of society.
- (d) Benefit is the usefulness of an output that is felt directly by people. It can be in the form of facilities that may be accessible to the public. These benefits usually appear after some time later, especially in the medium and long term.
- (e) Impact is a measure of the influence of social, economic, environment or other public interests started by the activity gain of each indicator.

Based on the existing performance plans, government agencies need to develop performance-based budget. A performance-based budget revenue and government spending is based on the performance of the approved plan. Thus the performance-based budget can present the relationship between the financial aspects of all activities of government administrators with strategic objectives and performance indicators in order to achieve the mission and vision of the organization.

Based on the description above, to measure the competence in this study uses the dimensions: 1) strategic planning, and 2) the indicators of performance activity. The dimension of strategic planning uses objective indicators and targets, while the dimension of performance indicator of activity is measured through the indicator of inputs, outputs, outcomes, benefits and impacts.

III. THEORETICAL FRAMEWORK

3.1. The influence of the implementation of government internal control system to the performance accountability of government agencies

IIA (2004) stated the effectiveness of internal control within the organization aims to achieve the effectiveness and efficiency of operation, reliability of financial reporting and compliance with laws and regulations. The three objectives of the organization describe the performance of government agencies in the service area as a whole. It is in line with the statement by Hiro (2004) which stated that an effective internal control positively affects the performance of a company. Fischer (1996), stated the internal control used by the organization significantly affect the performance improvement of the organization. Likewise, according to Suryo (2007) Audit of management and internal control support each other in order to influence the application of the principles of Good Corporate Governance and performance of SOE companies, even the internal control has the greatest effect on the application of the principles of Good Corporate Governance and Corporate Performance. Miah and Mia (1996) stated that internal control significantly and positively affect the performance of the government organizations. BPKP in solving the problems faced by the government in realizing good and clean governance (Rahmawati, *et al.*, 2017).

3.2. The influence of government apparatus competence on the performance accountability of government agencies

Bontis *et al.* (1999: 7), Stewart (1997: 231) stated that the competence influences and improves the organizational performance. Snell and Dean (1999: 469) and Flamholtz and Lacey (2001: 12), said that in the perspective of human capital, workers who have high knowledge, abilities, skills, and experiences can contribute significantly to the performance of the organization. Employees with high competence in the organization is an invaluable asset, because it can be a power for the organization. Thus the human strength that comes from the value of competency can improve the performance accountability of government agencies.

Based on the prior literature, the conceptual model is shown in the figure below:

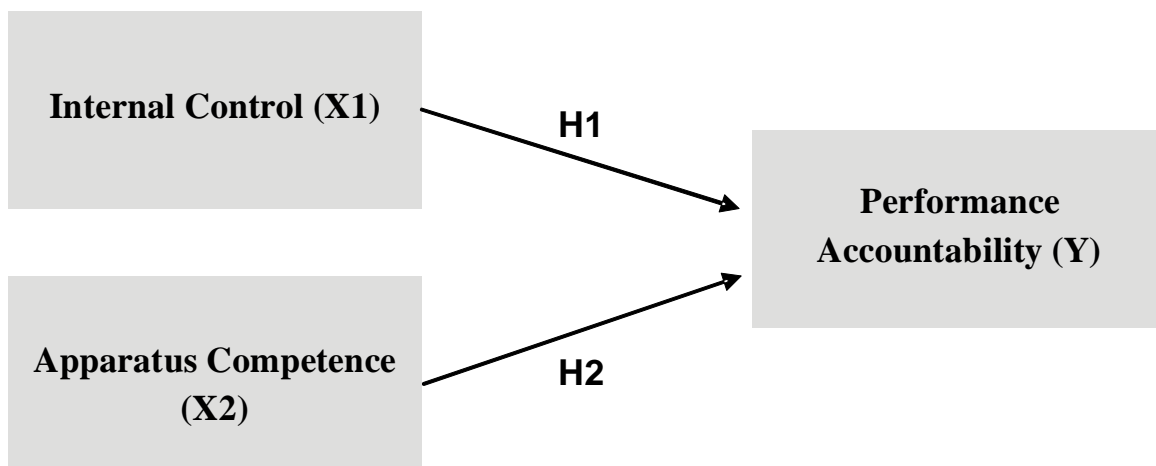


Figure 3.1: Conceptual Model

IV. HYPOTHESIS

According to Sekaran (2010: 103), hypothesis is: “logically conjectured relationship between two or more variables expressed in the form of a testable statement.” Based on the identification of the problem, the framework which has been described previously, it can be formulated the research hypotheses as follows.

Hypothesis 1: The implementation of the internal control system of government affects the performance accountability of government agencies.

Hypothesis 2: The competence of local government apparatus affects the performance accountability of government agencies.

V. RESEARCH DESIGN

The object of this research is the implementation of the internal control system of government, the competence of local government apparatus, and the performance accountability of government agencies. The population in this study are all SKPD units in the Regency and City of Bogor, the observation unit of head of department, head of the internal control system (SPI), and accounting staff.

The research sampling method used in this study is the census, which is the method in which all elements of the population are examined. The reason for choosing this method is due to the small number of the population, then all members of the population are used as a sample. This study uses multiple regression analysis.

VI. RESEARCH RESULTS

The first hypothesis test results show that the implementation of internal control systems significantly affects the performance accountability of local government agencies of Regency and City of Bogor. The results are consistent with the IIA statement (2004), that is the effectiveness of internal control within the organization aims to achieve the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations. The three objectives of the organization describe the performance of government agencies in the service area as a whole. The results also fit with research conducted by Hiro (2004) which stated that an effective internal control positively affects the performance of a company. The results also consistent with research conducted by Fischer (1996) which stated that an internal control used by the organization significantly affects to their performance improvement. The results of this study are also consistent with Suryo (2007), Audit of management and internal control support each other in order to influence the application of the principles of Good Corporate Governance and the performance of SOE companies. The results support the research conducted by Miah and Mia (1996) which stated that the internal control significantly and positively affects the performance of the government organizations.

The second hypothesis test results show that the competence of local government apparatus does not significantly affect the performance accountability of local government agencies Regency and City of Bogor. These results contradict the results of research conducted by Bontis et.al. (1999: 7), Stewart (1997: 231) stated that competence influences and improves the organizational performance. Including the results of research conducted by Dean and Snell (1999: 469) and Flamholtz and Lacey (2001: 12), said that in the perspective of human capital, workers who have the knowledge, abilities, skills, and experience high can contribute significantly to the performance of the organization.

VII. FIGURES AND TABLES

Table 1
One-Sample Kolmogorov-Smirnov Test

		<i>Standardized Residual</i>
N		57
Normal Parameters ^a	Mean	.0000000
	Std. Deviation	.98198051
Most Extreme Differences	Absolute	.143
	Positive	.080
	Negative	-.143
Kolmogorov-Smirnov Z		1.081
Asymp. Sig. (2-tailed)		.193

(a) Test distribution is Normal.

Source: Output SPSS version 16.0

Table 2
Variance Inflation Factor (VIF)
Coefficients^a

<i>Model</i>	<i>Collinearity Statistics</i>		
		<i>Tolerance</i>	<i>VIF</i>
1	X1	.744	1.343
	X2	.744	1.343

(a) Dependent Variable: Y

Source: Output SPSS version 16.0

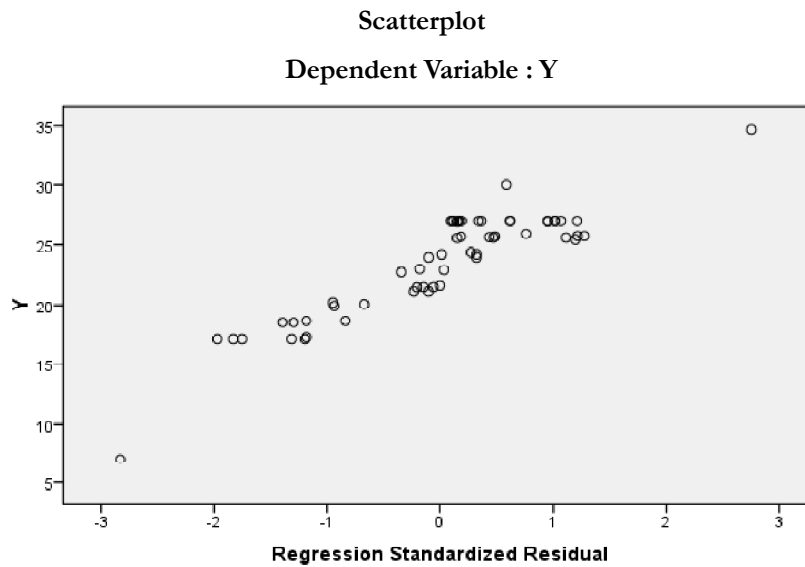


Figure 1: Scatterplot

Source: Output SPSS version 16.0

Table 3
Autocorrelation
Model Summary^b

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>	<i>Durbin-Watson</i>
1	.410 ^a	.168	.137	4.126	2.157

(a) Predictors: (Constant), X2, X1

(b) Dependent Variable: Y

Source: Output SPSS version 16.0

Table 4
Coeffisien of Determination(R²)
Model Summary^b

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>	<i>Durbin-Watson</i>
1	.410 ^a	.168	.137	4.12613709	2.157

(a) Predictors: (Constant), KAP, SPIP

(b) Dependent Variable: AKIP

Source: Output SPSS version 16.0

Table 5
ANOVA^b

<i>Model</i>		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	Regression	185.580	2	92.790	5.450	.007 ^a
	Residual	919.350	54	17.025		
	Total	1104.930	56			

(a) Predictors: (Constant), X2, X1

(b) Dependent Variable: Y

Source: Output SPSS version 16.0

Table 6
Coefficients^a

<i>Model</i>		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>		<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>	<i>t</i>	
1	(Constant)	12.636	3.362		3.759	.000
	X1	.162	.068	.342	2.374	.021
	X2	.066	.085	.112	.779	.439

(a) Dependent Variable: Y

Source: Output SPSS version 16.0

VIII. CONCLUSIONS

Based on the research results, the conclusions of this study are as follows: (1) The internal control system of government positively affects the performance accountability of government agencies. It shows the implementation of the internal control system of government that will either improve the performance accountability of local government agencies. (2) The competence of local government apparatus does not affect the performance accountability of local government agencies. It is because (1) the educational background of local government apparatus are not appropriate, and (2) the government apparatus that is still lacking in terms of additional knowledge through the activities of training, seminars, and workshops.

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