FACTORS AFFECTING THE QUALITY OF THE GOVERNMENT’S PERFORMANCE ACCOUNTABILITY REPORT WITH GOVERNMENT’S INTERNAL CONTROL SYSTEM AS A MODERATOR VARIABLE AT NORTH LABUHAN BARU DISTRICT

AdrinaUlfaHarahap, Rina Bukit, Tapi Andasari Lubis
North Sumatra University
ulfa_hrp@yahoo.com

Abstract: The purpose of the study was to recognize and analyze the influences of performance-based budgeting, resources capacity, and the role of the government's internal oversight apparatus on the quality of government institution performance accountability report at North Labuhan Batu District, simultaneously and partially, with government internal control system as moderator variable. The type of the study was an associative study. The population of the study was financial administration officers, head of the program sub-section and treasurer of North Labuhan Batu District with 120 respondents. The results of the study have proved that simultaneously, performance-based budgeting, resources capacity, and the role of the government’s internal significantly oversight apparatus influences the quality of government institution performance accountability report at North LabuhanBatu District. Partially, resources capacity positively and significantly influences the quality of government institution performance accountability report at North LabuhanBatu District, but performance-based budgeting and the role of the government's internal oversight apparatus insignificantly influences the quality of government institution performance accountability report at North LabuhanBatu District. Meanwhile government internal control system could not moderate the relationships between performance-based budgeting, resources capacity, and the role of the government's internal oversight apparatus with the quality of Government's Institution Performance Accountability Report at North LabuhanBatu District.

Keyword: the quality of government’s accountability institution performance report, performance-based budgeting, resources capacity, and the role of the government’s internal oversight apparatus

I. INTRODUCTION
Repairing governance and management system is an important agenda in governance reforms being carried out by the government. Government management system focuses on increasing accountability and at the same time improving the performance-oriented results (outcome) known as the Government Performance Accountability System (System AKIP). AKIP system implemented "self assessment" by the respective government agencies. This means the government agencies plan, implement, measure and monitor its performance independently and report to the higher authorities. The implementation of this type of mechanism in the system
means that there needs to be more evaluation of independent parties in order to obtain objective feedback to improve accountability and performance of government agencies.

Financial Note and the Draft State Budget 2016 says the government is always trying to improve the quality of the budget of the technical side of the planning and implementation of the budget in 2016 through the followings: (1) clarify the logical relation between budget allocations (input) with outputs and outcomes the program within the framework of the implementation of performance-based budgeting; (2) reducing the funding for the consumptive and less productive, among others, the official travel expenditures and FGD; (3) enhancing the role of the government's internal watchdog apparatus (APIP) state ministries and institutions (K / L) in conducting the Review Work Plan and Budget (RKA), in order to maintain good governance and accountability; (4) applying the treasury and the state budget (SPAN) that the country's financial management can be done better; and (5) monitoring and evaluation system strengthening budget execution and performance.

According to the LAN and the BPK (2000), LAKIP SKPD quality is influenced by several factors of financial management such as system planning, budgeting using performance-based budgeting (ABK), the financial administration of the area including the set of accountability mechanisms such as shopping, reporting and accountability and oversight local finance through internal audits. If these variables work effectively then LAKIP quality will be achieved.

Although the government has launched a performance-based budgeting method since 2005, but its implementation is still limited in government agencies within the ministries / agencies. However, its implementation in some agencies, especially in the city and county governments have yet to implement performance-based budgeting system. This is evidenced by the low quality of LAKIP Regency / City in Indonesia. This phenomenon is expressed by the Minister PANRB Yuddy Chrisnandi in Jakarta, Kompas dated December 9, 2014 - Of the 505 district / city governments that submitted reports of performance accountability of government agencies in 2013, only 11 were obtained good value B (BPK ACTION, 2014).

Based on the theory and regulations, government (central / local) is required to deliver its performance accountability through performance accountability reports of government agencies (LAKIP) periodically. North LabuhanBatu Regency until now have not been able to present a satisfactory report, it is apparent from the evaluation results AKIP published BPKP the last 4 years (2012 s / d 2015) which still earned grades of "C" (less) to "D" (very less).

<table>
<thead>
<tr>
<th>OF</th>
<th>THE VALUE OF</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>D</td>
<td><strong>Very</strong> Poor, system and order unreliable for application performance management; needs a lot of improvements, some very fundamental changes</td>
</tr>
<tr>
<td>2013</td>
<td>C</td>
<td><strong>Low</strong>, System and order are less reliable, have a system for performance management but need a lot of minor improvements and fixes the fundamental</td>
</tr>
<tr>
<td>2014</td>
<td>C</td>
<td><strong>Fair</strong> (Adequate), Accountability performance is quite good, obedient policy, a system which can be used to produce performance information for accountability, needs much improvement is not fundamental</td>
</tr>
<tr>
<td>2015</td>
<td>CC</td>
<td></td>
</tr>
</tbody>
</table>

Source: BPK (the processed data)
This is due to some problems in the implementation of the system in an environment AKIP Government agencies as follows:
1. The lack of understanding of the urgency, significance and benefits
2. have not determined the performance benchmarks of the government agencies
3. the lack of planning system and performance based budgeting
4. the lack of a data collection and processing of reliable performance
5. the lack of standard operating procedure (SOP) regarding the collection of performance data
6. low capacity of local government resources.

In the ranks of the list of reports to be drawn up by the local government, government agencies performance accountability reports (LAKIP) is often put aside, either by a board member or the government itself. LAKIP is not so popular compared to the financial statements in terms of the preparation process and the benefits that can be felt by the user. If the quality of financial reports judged by the opinion given the quality of the report formed the CPC is determined by the assessment results of the evaluation conducted by MENPAN-RB. Although both evaluation by external parties, to this day still has not changed the quality of LAKIP. Awareness of local governments to improve the quality of LAKIP was apparently still less when compared with their desire to get a WTP opinion of the CPC.

Based on the above and to impose limits that are relevant, focused research on factors thought to affect the quality of performance accountability reports of government agencies North Labuhan Batu Regency, namely planning budgets based on performance, capacity resources and the role of internal control apparatus of government as well as the internal control system of government.

II. THEORY AND HYPOTHESES DEVELOPMENT FRAMEWORK

Quality of performance accountability reports government agencies

According to Brinzius and Campbell (1991), accountability for performance is a consideration in making policies and programs and measures the results or the results compared to the standard. Performance accountability system provides a framework for measuring results, not just a process or workload, and organizes information so it can be used effectively by political leaders, decision makers and program managers to achieve success.

Strengthening accountability for performance is one of the programs implemented in order to reform the bureaucracy to make government clean and free from corruption, increasing the quality of public services to the community, and increasing the capacity and accountability of the performance of the bureaucracy. Strengthening accountability is implemented by the application of Government Performance Accountability System (SAKIP) as stipulated in Presidential Regulation No. 29 Year 2014 on SAKIP.

Government Regulation No. 29 of 2014 mentioned a system of performance accountability of government agencies here in after abbreviated SAKIP, is a series of systematic of various activities, tools, and procedures designed for the purpose of determination and measurement, data collection, classifying, summarizing, and reporting the performance of the government agencies, in framework of accountability and improved performance of government agencies.

In order to meet these objectives, sets of principles need to be set in LAKIP preparation, so it can be reported and accounted for to stakeholders / stakeholders in the governance process.
According to the LAN and the BPK (2000) LAKIP quality must conform to the principles of good report is as follows:

a. relevant 
b. accurate and reliable  
c. consistent / comparable  
d. verification / explore  
e. timely  
f. understandable  
g. the scope of the principle of accountability.  
h. the principle of priority  
i. the principle of benefit  
j. follow the reporting standards established in accordance with the legislation.

**Performance Based Budget Planning**

Performance-based budgeting is budgeting done by considering the relationship between funding and outputs and expected results, including efficiency in achieving results and outcomes (DG Treasury, Ministry of Finance, 2008). Implementation of performance-based budgeting will support the budget allocation towards priority programs and activities, the system is primarily trying to connect between the output (outputs) and results (outcomes) that is accompanied by an emphasis on the effectiveness and efficiency of the budget allocated (Ismail and Idris, 2009).

A performance-based budget planning requires the performance of instruments that includes:

a. minimum service standards (SPM);  
b. performance indicators;  
c. standard analytical costs (ASB); and  
d. the standard fee

This instrument also serves as a measure of success of a performance-based budget planning by comparing between the planning and implementation of such plans (Suhadak and Nogroho, 2007: 111).

**Resources Capacity**

Shafritz et.al. (1997) mentions more than sixty years ago, VO Key has already signaled that budgeting has one of the most fundamental problems, namely the limited resources. Key asked the following questions: "on what basis shall it be decided to allocate x dollars to activity A instead of activity B?" The limited resources cause the decision making in allocating to be very dynamic, especially in conditions where there are many parties with different interests and preferences involved (Rubin, 1993).

Olander et al (2007: 25) states there is one important aspect that is often overlooked in assessing the PFM system, namely capacity. PFM reform is sometimes designed without the information of human resources and the capacity to implement it. Sida (2001) in Olander et al (2007: 76) defines capacity as a condition that must be owned by individuals and organizations in order to be sustainable. PEFA’s assessment measures the key indicators of the performance of PFM systems, but not the factors that affect performance, such as HR competence and relevance of the organization with the performance of its duties. So PEFA assessment needs to be complemented with capacity ratings that affect the ability of the PFM system operates (Olander et al, 2007: 76).
Olander et al (2007: 76) states that resources is a fundamental capacity that affect the performance of the organization and consists of four components:

1. HR: the quantity and quality of human resources;
2. Financial: adequacy and timeliness of funding
3. The equipment: the use of information technology, telecommunications, and so on;
4. Facilities: the availability of the building, and so on.

**APIP’S ROLE**

Hasron (2015) mentions that the internal auditing assist the organization in achieving its objectives by means of targeted and systematic approach to assess and evaluate the effectiveness of risk management (risk management) through the control (control) and the process of good governance (governance processes).

Internal audit is a form of supervision of the regional administration. According to Government Regulation No. 79 Year 2005 on Guidelines for Development and Control of Local Government, supervision over the regional administration is the process of activities aimed to ensure that the regional government runs efficiently and effectively in accordance with the plan and the provisions of the legislation. The supervision carried out by the Internal Control Apparatus, namely the General Inspectorate Department, Unit Non Departmental Government Institutions Supervision, Provincial Inspectorate and the Inspectorate District / City.

In connection with the audit of management and financial responsibilities of the state, in article 9, paragraph (1) of Law No. 15 of 2005 states that: "In the conduct of audit of the management and financial responsibility of the state, the CPC can use the results of examination of Government Internal Supervisory Apparatus (APIP). The role and function of internal audit are important elements of an adequate organization's control systems.

Internal regulatory authorities established in order to strengthen and support the effectiveness of internal control (Regulation 60 of 2008 article 47, paragraph 2). With the issuance of PP 60 in 2008, the internal watchdog has a new role, namely: internal oversights of the financial accountability of the State, fostering the implementation of SPIP, and review the financial statements of the central and local governments. The internal financial supervisors which supervises local government environment besides BPKP is local inspectorate officials. Mohammad et al. (2004) explains that auditors play an important role in encouraging the establishment of accountability of the organization as stated.

**Government Internal Control System (SPIP)**

Internal control on the central government and local governments designed by referring to Government Regulation No. 60 Year 2008 concerning the Government Internal Control System (SPIP). Internal control system (SPI) is a process that is integral to the actions and activities that are carried out continuously by the management and all employees to provide reasonable assurance for the achievement of organizational goals through effective and efficient activities, the reliability of financial reporting, the safeguarding of state assets, and compliance with legislation. SPIP is SPI that is conducted thoroughly in the central government and local governments.

Government officials are required to be able to create a strong bureaucracy to get to the ideals that are expected through the implementation of internal control is included in the Government Regulation No. 60 Year 2008 regarding the Internal Control System of Government
SPIP (which is focused on soft controls) include ethics, morals, integrity, honesty, discipline, competence, commitment and other software. (Nuning, et al, 2012).

SPIP adoption of the COSO Internal Control Framework consists of elements of the Government's Internal Control System include:
1. Control Environment
2. Risk Assessment
3. Control Activities
4. Information and Communication
5. Monitoring Internal Control

**Framework Concept**

![Figure 2.1. Concept Framework]

**III. METHODOLOGY**

This research type based on its explanation level is associative research, research that is proving and finding the relationship two or more variables, in form of causal (Sugiyono, 2014: 543)

The research location is Labuhanbatu District Government of North Sumatra. The researched conducted between January 2017 to June 2017.

The population in this study is an officer or employee involved in the preparation SKPD LAKIP in the Government of North LabuhanBatu Regency amounted to 120 people. Recapitulation population tabulated in Table 4.2. The reason the author chose the Finance Administration Officer (PPK SKPD), Subsection Expenditure Program and Treasurer as third respondent is because the personnel involved in the drafting LAKIP SKPD.

**Data Collection Methods**

Data used in this study is primary data which is qualitative. The method used is the method of census, by distributing questionnaires.

**Variable Operational Definition**
Measurement in this study is using interval scale with Likert scale techniques. Performance-based budgeting (X1) is the budgeting that is drawn by connecting the output or outcome to be achieved, identify the inputs, outputs and outcomes generated by the implementation of an activity or activities. Capacity resources (X2) is a condition of human resources, finance, equipment, and facilities owned that affect the performance of the organization. Role of APIPs (X3) is APIPs which evaluates SAKIP implementation and/or evaluation of the performance of the K/L/Local Government in accordance with the requirements based on their authority. Quality of LAKIP (Y) is a document that contains an overview of Government Performance Accountability embodiment are arranged in a systematic and institutionalized. A good quality of LAKIP has a very important role as they can meet the principles of accountability/responsibility and transparency so that it can be reported and accounted for by the central and local government agencies to stakeholders/stakeholders including the community toward the governance process. Government Internal Control System (Z) is an integral process in actions and activities carried out continuously by the management and all employees to provide reasonable assurance on the achievement of organizational goals.

**Data Analysis Method**

Methods of data analysis using multiple linear regression model (multiple regression analysis).

Regression model was used to test the first hypothesis is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_1$$

Regression model was used to test the second hypothesis is:

$$Z = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_2$$

$$|\varepsilon| = \alpha + \beta Y$$

where

- $Y$ = Quality of local government financial statements
- $X_1$ = Planning Performance-Based Budgeting
- $X_2$ = Capacity Resources
- $X_3$ = Role apparatus internal control governments
- $Z$ = Internal Control System Government (SPIP)
- $\alpha$ = Constant
- $\beta$ = regression coefficient
- $\Sigma$ = Error
- $|\varepsilon|$ = Absolute Error

**IV. RESULTS AND DISCUSSION**

**Classic Assumption**

Classic assumptions testing were conducted to fulfill the statistical requirements analysis in OLS (Ordinary Least Squares) based double linear analysis. Classic assumption testing consists of normality test, multicollinearity test and heteroscedasticity test. The test results proved that the independent variables were distributed normally and did not possess multicollinearity and component error ($\varepsilon$) did not possess heteroscedasticity.
First Hypothesis Testing Results
The coefficient of determination (adjusted R2)

Table 4.4 Coefficient of Determination Result

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.709</td>
<td>0.503</td>
<td>0.486</td>
<td>1.57184</td>
</tr>
</tbody>
</table>

Source: Research Findings, 2017

The results show the value of the coefficient of determination - Adjusted R Square-0.486, as shown in Table 4.4. That is, 48.6% of the variation of quality performance accountability reports of government agencies can be explained by the variable performance-based budget planning, resource capacity and the role of government internal control apparatus simultaneously. The remaining 51.4% is explained by other variables that are not included in the regression model. Thus, the regression model sufficient accuracy in predicting the dependent variable for adjusted R Square 0.486 are in the range of values from 0.31 to 0.50. (Basri, 2011).

Test Statistic F (Simultaneous Testing)

Table 4.5 Results of Test Statistic F

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>287.338</td>
<td>4</td>
<td>71.835</td>
<td>29.075</td>
<td>.000</td>
</tr>
<tr>
<td>1 Residual</td>
<td>284.129</td>
<td>115</td>
<td>2.471</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>571.467</td>
<td>119</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Findings, 2017

Based on Table 4.5 above, F test of significance of 0.000 is obtained which is smaller than α = 0.05, hence H1 accepted. It can be concluded that variable performance-based budget planning, resource capacity and the role of the internal control official government simultaneously significantly influenced the variable quality of agency performance accountability reports on significance level α = 0.05.

Test Statistic t (Partial Test)

Table 4.6 Test Statistic t

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>13.3</td>
<td>2.631</td>
<td></td>
<td>5.056</td>
</tr>
<tr>
<td>ABK</td>
<td>0.018</td>
<td>0.126</td>
<td>0.013</td>
<td>0.146</td>
</tr>
<tr>
<td>Kapasitas Sumber Daya</td>
<td>0.532</td>
<td>0.074</td>
<td>0.560</td>
<td>7.162</td>
</tr>
<tr>
<td>Peran APIP</td>
<td>0.115</td>
<td>0.107</td>
<td>0.087</td>
<td>1.071</td>
</tr>
<tr>
<td>SPIP</td>
<td>0.104</td>
<td>0.032</td>
<td>0.239</td>
<td>3.288</td>
</tr>
</tbody>
</table>

Source: Research Findings, 2017

From Table 4.6, it was concluded that partially, resource capacity variable is positively and significantly affected the quality of performance accountability reports of government agencies. The performance-based budget planning variable and the role APIP is positively but
not significantly affected the quality of performance accountability reports of government agencies.

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusion
1. Performance-based budget planning, resources capacity and the role of APIP are simultaneously affected positively and significantly on the quality LAKIP North LabuhanBatu district. Partially, the capacity of resources has a positive and significant effects on the quality of LAKIP in North Labuhan Batu district, whilst the performance-based budget planning and the role of APIP has positive effects but not significant on the quality LAKIP North LabuhanBatu district.
2. SPIP cannot moderate the relationship of performance-based budget planning, resource capacity and the role of APIP with quality LAKIP North LabuhanBatu district.

Suggestions
Here are suggestions for the various parties in relation to the results of the study:
1. For academics, there are 3 points:
   a. adding variable study related to the quality of the LAKIP that is relevant to the needs of the research object, from the capacity aspects: management, support structures; foundation aspects or pillars: budget, financial transparency, assets and liabilities management; as well as other aspects: the climate of reform, value systems, cash management, procurement, public investment;
   b. adding external respondents, such as members of Central Parliament / District Parliament, BPK auditors, government consultants, professionals, educators, the public, or other stakeholders.
2. For North LabuhanBatu regency, there are 4 points:
   a. increase human resource capacity who compose the LAKIP and APIP according to the needs and puts those human resources in accordance with the requirements;
   b. improve and strengthen the internal control system of government that involves all units of regional and other interested parties in order to support and implement the performance accountability of local government agencies in accordance with the provisions of the legislation, by way of guidance, socializing, technical assistance, audit, review and evaluation programs and activities and accountability.
3. For further researchers, the researchers expected to add other variables such as management commitment, compensation, penalties and rewards, career patterns and organizational culture.

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____. Government Regulation No. 29 of 2014 on Government Performance Accountability System.