

# Effect of Internal Control System, Apparatus Competence, Internal Supervision on Accountability and Performance of Financial Managers of Makassar City Government

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## Abstract

The research objectives are to analyze 1) The influence of the internal control system on accountability; 2) The influence of apparatus competence on accountability; 3) The influence of internal control on accountability; 4) The influence of the internal control system on the performance of financial managers; 5) The influence of apparatus competence on the performance of financial managers; 6) The influence of internal control on the performance of financial managers; 7) The influence of accountability on the performance of financial managers; 8) The influence of the internal control system on the performance of financial managers through accountability; 9) The influence of apparatus competence on the performance of financial managers through accountability, and 10) The influence of internal control on the performance of financial managers through accountability. This research is a quantitative research type of explanatory research that was carried out by the Makassar City Government in October-December 2021 with a sample of 151 of the 242 population. Data collection techniques through observation, questionnaires, and interviews. The collected data was then analyzed using descriptive analysis to describe the research variables, and inferential analysis through Structural Equation Modeling (SEM) to explain the contribution of exogenous variables to endogenous variables through hypothesis testing.

**Keywords:** Internal Control; Apparatus Competence; Internal monitoring

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## I. Introduction

The performance of regional financial managers is a measure that is used as a financial indicator in ensuring the ability of regions to implement financial implementation regulations properly and correctly, as well as to assess the level of achievement of regional financial results.<sup>[1]</sup> Measuring the performance of local government financial managers is intended to help improve government performance in resource allocation and decision making as well as to facilitate the realization of public accountability and demonstrate that public finances have been spent efficiently and effectively.<sup>[2]</sup> The concept of measuring the performance of government financial managers is different from the concept of measuring the performance of corporate financial managers. The local government, which is a public organization, aims to improve public services and the welfare of the community, while the company aims to make a profit.<sup>[3]</sup>

In Indonesia, even though the reforms are already underway, there are still other obstacles that must be faced, including; an organizational structure that is less proportional because government institutions have not fully based on the principles of efficient and rational organization, the low level of responsibility within government agencies in carrying out their duties and mandates, the practice of KKN has not been fully resolved, public services have not been following community expectations, neglected ethical and cultural values With the monitoring data on local governments, Civil Servants (PNS) often get the spotlight on their performance,<sup>[4]</sup> because the image created by PNS is already bad, such as lack of productive, likes corruption and wastes state money, has a low work ethic, is often absent from work, and so on. The level of employee performance is still low because most of them just come, fill absences, chat, and then go home without providing their services in jobs that can realize the common goals of a government organization. Seeing the various problems that arise, then a new Law No. 5 of 2014 was made specifically on State Civil Apparatus which covers recruitment standards based on a merit system, work regulations for state apparatus employees, and sanctions imposed if they do not comply with the Act.

The issuance of the law is expected to bring about changes in personnel management and employee capacity development in Indonesia which will have an impact on the performance of ASN employees which will be measured annually individually and the payroll system is based on the workload given.<sup>[5]</sup> Another reason for making the ASN Law is also because in the current era most of the bureaucracy is more devoted to the political interests of those in power, not to serving the public interest. Whereas in essence, the bureaucracy is a servant of the state who fulfils and serves the public interest.

The amount of local revenue (PAD) shows that the regions can utilize existing resources and potential, thereby reducing dependence on funds from the central government, and can finance development and improve infrastructure that can improve the performance of public services. Another factor that can affect the performance of local government financial managers is the balancing fund.<sup>[6]</sup> The increase in balancing funds received from the central government shows that the stronger local governments depend on the central government to meet their needs so that the performance of regional financial managers will decline.<sup>[7]</sup>

Various problems that occurred related to finances were the findings of BPK RI, among others, there were problems in budgeting, implementation, and accountability for expenditures at 85 K/L at least Rp. 10.65 trillion and US\$ 29.40 million which were not following the provisions, including: (1) errors in budgeting/allocation of goods expenditures of Rp. 390.18 billion for 34 K/L and capital expenditure of Rp. 4.30 trillion for 26 K/Ls, (2) Problems in contract implementation, including procurement work that does not follow specifications and delays completion of work, has not been subject to fines, and (3) realization of capital expenditures with foreign loans of Rp782.16 billion and US\$29.36 million cannot be recognized as capital expenditures because the bookkeeping/ratification order (SP3) has not yet been issued. As a result, the expenditure realization does not reflect the actual substance of the activity, there is a burden on expenditure that should not be borne by the government and the expenditure realization still needs to be improved. This problem is due to the non-optimal control of K/L including the role of APIP (government internal supervisory apparatus) to ensure budgeting, implementation and accountability for spending (IHPS BPK RI semester I, 2020).

The summary of examination results (IHPS) phase II (two) of 2020 was prepared to comply with the provisions of Article 18 of Law (UU) Number 15 of 2004. This summary is a summary of the 559 Examination Result Reports (LHP) completed by BPK consisting of 28 Financial LHP (5%), 254 performance LHP (45%) and 277 LHP with specific objectives (50%) as presented in table 1. Following:

**Table 1. Total LHP, Audit Findings and Recommendations of BPK Semester II Year 2020**

Budget Management/ Types of	Total LHP	Total Findings	Number of Recommendation
<b>Central Government:</b>	115	982	2,391
* Financial Audit	27	115	245
* Performance Auditor	54	548	1,353
* DDT Audit	34	319	793
<b>Local Government</b>	183	1,674	4,57
* Financial Audit	1	13	44
* Performance Auditor	85	941	2,380
* DDT Inspection	97	720	2,146
<b>BUMN and Other Entities</b>	20	244	648
* Performance Inspector	4	48	161
*DDT Examination	16	196	487

PC-PEN Program	241	2,170	5,754
* Performance Inspector	111	985	3,033
*DDT Examination	130	1,185	2,721
To tal	559	*	5,070 13,363
Financial Audit	28	128	289
* Performance Auditor	254	2,522	6,927
* DDT Audit	277	2,420	6,147
* DDT Audit	277	2,420	6,147

Source: IHPS BPK RI Phase II, 2020

Based on table 1 above, budget management or the types of audits carried out by BPK RI in the second semester of 2020, local governments ranked second with the most findings of 1,674 findings after the PC-PEN program with 2,170 findings. After that followed by the central government as many as 982 findings and SOEs and other bodies 244 findings. Of the total findings, the performance audit with the most findings was 2,522, followed by the DDT audit with 2,420 findings and the financial audit with 128 findings. BPK found several cases of weaknesses in the accounting and reporting control system, which consisted of recording not being carried out accurately, the report preparation process not following the provisions, being late in submitting reports, inadequate accounting and reporting information systems, accounting and reporting information systems not yet supported by competent human resources. adequate (Mardiasmo, 2009). This phenomenon shows that the performance of regional financial managers still has problems that must be the focus of attention.

Likewise, the performance of local government financial managers in Makassar City still needs to improve the performance of financial managers. The Makassar city government received a qualified opinion (WDP) from the Supreme Audit Agency (BPK) based on the results of the 2020 financial audit (LHP), after five consecutive years of holding an unqualified opinion (WTP). From the BPK's notes, several points become the main concern. Including a personal debt of Rp. 450,000,000 which was found at the Daya hospital. Another finding that caught the attention of BPK was the lack of volume related to infrastructure. Other findings include the procurement of CCTV in 2020 at the Ministry of Communication and Informatics. 16 findings influenced BPK's opinion, so Makassar did not receive a WTP opinion.

Based on this, researchers will conduct research related to the performance of government financial managers. Government agencies must measure their performance to know how the government carries out its duties. Performance measurement is a systematic process that assesses whether the planned activity program is following the plan, and more importantly whether it has achieved the targeted success. Performance measurement is useful to help decision-makers to monitor and improve performance that focuses on organizational goals to meet the provisions of public accountability (Nordiawan and Hertianti, 2010). To achieve good performance of government financial managers, several factors influence the performance of local government financial managers in the process of carrying out their duties and responsibilities, namely the internal control system, apparatus competence, internal control and the creation of accountability.

## II. Research Methods

Based on the research objectives to be achieved, this research is included in the category of *explanatory research*. This research will be conducted on regional work units (SKPD) in Makassar, South Sulawesi. The field research time was carried out for 3 (three) months, which was divided into the first 1 month used for observation and the remaining 2 (two) months used for data collection and analysis.

The population in this study were all employees of the Regional Apparatus Work Unit (SKPD) in the city of Makassar, South Sulawesi province who had the authority in the process of improving the performance of local government financial managers related to the internal control system, competence, internal control and accountability to the Regional Government in Makassar City, totalling 242 people.

To analyze the influence of the internal control system, apparatus competence, internal control, accountability and performance of financial managers in local government in Makassar City, it was carried out using SEM (*Structural Equation Model*) using the Amos Version 25 program. Before the data is analyzed, the

results of distributing questionnaires that have been compiled in the form of data tabulations, the data that has been compiled are tested for validity, reliability, data normality and classical assumption requirements tests, to ensure the quality of the data when used in research.

### III. Results

Based on the empirical model used in this study, it is possible to test the proposed hypothesis by testing the path coefficients on the structural equation model. Table 2 is a hypothesis testing by looking at the value, if the p-value is less than 0.05, then the influence between the variables is significant. The test results are presented in the following table:

**Table 2. Total Effect, Direct Effect and Indirect Effect Between Variables**

No	Variable			P-Value	Direct Effect	Indirect Effect	Total Effect	Description
	Exogenous	Intervening	Endogenous					
H-1	(Internal Control System X1)	Accountability (Y1)	-	0.035	0.310	-	0.310	Positive & Significant Influence
H-2	Apparatus Competence (X2)	Accountability (Y1)	-	0.040	0.288	-	0.288	Positive & Significant Influence
H-3	Internal Control (X3)	Accountability (Y1)		0.013	0.453	-	0.453	Positive & Significant Influence
H-4	(Internal Control System X1)		Financial Manager Performance (Y2)	0.041	0.222	-	0.222	Positive & Significant Influence
H-5	Apparatus Competence (X2)		Financial management performance (Y2)	0.031	0.730	-	0.730	Positive & Significant influence
H-6	Internal Control (X3)		Financial management performance (Y2)	0.953	0.021	-	0.021	The positive effect is not significant
H-7		Accountability (Y1)	Financial management performance (Y2)	0.003	0.517	-	0.517	Positive & Significant Influence
<b>Variable</b>				<b>P-Value</b>	<b>Direct Effect</b>	<b>Indirect Effect</b>	<b>Total Effect</b>	<b>Information</b>
	Exogenous	Intervening	Endogenous					
H-8	(Internal Control System X1)	Accountability (Y1)	Financial Manager Performance (Y2)	0.042 (Sobel Test)	0.310	1.827	2.137	Positive & Significant Influence
H-9	Apparatus Competence (X2)	Accountability(Y1)	Financial Manager Performance (Y2)	0.046 (Sobel Test)	0.288	1.702	1.99	Positive & Significant Influence
H-10	Internal Control (X3)	Accountability (Y1)	Financial Manager Performance (Y2)	0.028 (Sobel Test)	0.453	2.161	2.614	Positive & Significant Influence

Source: Results of 2022 Data Processing (Appendix 3).

The overall 9-way direct path model hypothesized that one direct path was not significant. The interpretation of table 22 can be explained as follows:

1. The Internal Control System has a positive and significant effect on Accountability with a p-value = 0.035 < 0.05 with a coefficient value of 0.310, this coefficient indicates that the internal control system implemented supports accountability (Hypothesis 1 Accepted).
2. Apparatus Competence has a positive and significant direct influence on Accountability with a p-value = 0.040 < 0.05 with a coefficient value of 0.288, this coefficient indicates that the competence of the apparatus makes a good contribution to Accountability (Hypothesis 2 Accepted).
3. Internal control has a positive and significant direct influence on Accountability with p-value = 0.013 < 0.05 with a coefficient value of 0.453, this coefficient indicates that internal control provides a good contribution to Accountability (Hypothesis 3 Accepted).
4. The internal control system has a positive and significant influence on the performance of the Makassar City Government Regional Financial Management with p-value = 0.041 < 0.05 with a coefficient value of 0.222, this coefficient indicates that an appropriate internal control system supports the performance of regional financial management. (Hypothesis 4 Accepted).
5. Apparatus competence has a positive and significant influence on the performance of local financial management of the Makassar City Government with p-value = 0.031 < 0.05 with a coefficient value of 0.730, this coefficient indicates that the competence of the apparatus makes a good contribution to the performance of regional financial managers. (Hypothesis 5 Accepted).
6. Internal supervisors have a positive and insignificant effect on the performance of local financial managers of Makassar City Government with p-value = 0.953 > 0.05 with a coefficient value of 0.021, this coefficient indicates that internal control has not maximized the performance of regional financial managers. (Hypothesis 6 Accepted).
7. Accountability has a positive and significant influence on the Regional Financial Performance of the Makassar City Government with p-value = 0.003 < 0.05 with a coefficient value of 0.517, this coefficient indicates that if accountability is increased, the performance of financial managers will also increase. (Hypothesis 7 Accepted).
8. The internal control system has a positive and significant effect on the performance of regional financial managers in Makassar City with a p-value = 0.042 < 0.05 with an indirect effect value of 2.137, this coefficient indicates that an increase in the internal control system will be followed by an increase in the performance of regional financial managers. (Hypothesis 8 is accepted).
9. Apparatus competence has a positive and significant effect on the performance of regional financial managers in Makassar City with a p-value = 0.046 < 0.05 with an indirect effect value of 1.702, this coefficient indicates that an increase in the internal control system will be followed by an increase in the performance of regional financial managers. (Hypothesis 9 is accepted).
10. Internal control has a positive and significant effect on the performance of regional financial managers in Makassar City with a p-value = 0.028 < 0.05 with an indirect effect value of 2.161, this coefficient indicates that an increase in internal control will be followed by an increase in the performance of regional financial managers. (Hypothesis 10 is accepted).

Furthermore, to determine the influence of the dependent variable on the independent variable, it is described in the following table.

**Table 3 Large Decomposition of Effects Between Variables**

No	Influence	of Direct	Indirect	Variables	Total Large of Effects	
1	X <sub>1</sub>	To	Y <sub>1</sub>	0.310 (9.61%)	-	9.61 %
2	X <sub>1</sub>	To	Y <sub>2</sub>	0.222 (4.93%)	0.471 (22.18%)	27.11%
3	X <sub>2</sub>	To	Y <sub>1</sub>	0.228 (8.29%)	-	8.29%
4	X <sub>2</sub>	To	Y <sub>2</sub>	0.730 (53.29%)	0.436 (19.01%)	72.30%
5	X <sub>3</sub>	To	Y <sub>1</sub>	0.453 (20.52%)	-	20.52%
6	X <sub>3</sub>	To	Y <sub>2</sub>	0.021 (0.04%)	0.687 (47.20%) 47.24	%

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7	Y <sub>1</sub>	0.517	Y <sub>2</sub>	(26.73%)	-	26.73%
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Source: 2022 Data Processing

#### **IV. Discussion**

##### **1. The Effect of Internal Control System on Accountability**

The results of the research by testing the hypothesis described in Table 2. obtained the coefficient value of the internal control system variable on accountability of 0.310 with  $P = 0.035 < 0.05$ . The data shows that the internal control system has a positive and significant effect on accountability, it can be explained that the existence of an internal control system will make accountability better. An internal control system is a process carried out by management and personnel within the organization designed to obtain reasonable assurance that there will be improvements in achieving the objectives: operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable regulations can contribute to and organizational success in realizing financial accountability.

##### **2. The Influence of Competence on Accountability**

The results of the research using hypothesis testing are described in Table 22. The coefficient value of the competency variable on accountability is 0.288 with  $P = 0.040 < 0.05$ . The data shows that the competence of the apparatus has a significant positive effect on accountability, it can be explained that the existence of good apparatus competence will make accountability better. Competence, which is the ability and knowledge of employees in carrying out their job duties satisfactorily following what is assigned to them, is found to be able to contribute to the success of the organization in realizing accountability. These results mean that the better the competence of the Makassar City Government employees/apparatus, the greater the financial accountability.

##### **3. The Effect of Internal Control on Accountability**

The results of the research using hypothesis testing are described in Table 22. The coefficient value of the internal control variable on accountability is 0.453 with  $P = 0.013 < 0.05$ . These data indicate that internal control has a significant positive effect on accountability, it can be explained that the existence of good internal control will make accountability better. Internal control is a systematic effort to set implementation standards with planning objectives, design information systems, and feedback, compare actual activities with established standards, determine and measure deviations and take corrective actions needed to ensure that organizational resources are used most effectively and efficiently in achieving the objectives found to be able to contribute to the success of the organization in realizing accountability. These results mean that the better the implementation of internal supervision of the Makassar City Government, the greater the financial accountability.

##### **4. The Effect of Internal Control System on the Performance of Financial Managers.**

The results of the research by testing the hypothesis described in Table 22. The coefficient value of the internal control system variable on the performance of financial managers is 0.222 with  $P = 0.041 < 0.05$ . These data indicate that the internal control system has a significant positive effect on the performance of financial managers, it can be explained that the existence of a good internal control system will make the performance of financial managers better. The internal control system was found to be able to contribute to the success of the organization in realizing the performance of financial managers.

##### **5. The Effect of Apparatus Competence on the Performance of Financial Managers.**

The results of the research using hypothesis testing are described in Table 22. The coefficient value of the apparatus competence variable on the performance of financial managers is 0.730 with  $P = 0.031 < 0.05$ . The data shows that the competence of the apparatus has a positive and significant effect on the performance of financial managers, it can be explained that the existence of good apparatus competence will make the performance of financial managers better. The competence of the apparatus was found to be able to contribute to the success of the organization in realizing the performance of financial managers. These results mean that the better the competence of the Makassar City Government apparatus, the better the performance of financial managers.

##### **5. The Effect of Internal Control on the Performance of Financial Managers.**

The results of the research using hypothesis testing are described in Table 22. The coefficient value of the internal control variable on the performance of financial managers is 0.021 with  $P = 0.953 > 0.05$ . These data indicate that internal control has a positive but not significant effect on the performance of financial managers, it can be explained that the implementation of internal control in the Makassar City Government has not been able to give a significant influence on the creation of better financial management performance. The internal control found has not been able to contribute to the success of the organization in realizing the performance of financial managers.

##### **6. The Effect of Accountability on the Performance of Financial Managers.**

The results of the research using hypothesis testing are described in Table 22. The coefficient value of the accountability variable on the performance of financial managers is 0.517 with  $P = 0.003 < 0.05$ . These data

indicate that accountability has a significant positive effect on the performance of financial managers, it can be explained that the implementation of good accountability will make the performance of financial managers better. Accountability is found to be able to contribute to the success of the organization in realizing the performance of financial managers, these results mean that the better the accountability of the Makassar City Government, the better the performance of financial managers.

#### **7. The Effect of Internal Control System on the Performance of Financial Managers Through Accountability**

The results of the research using hypothesis testing are described in Table 22. The coefficient value of the internal control system variable on the performance of financial managers through accountability is 0.781 with  $P = 0.042 < 0.05$ . The data shows that the internal control system has a significant positive effect on the performance of financial managers through accountability, it can be explained that the existence of a good and well-planned internal control system will result in better program implementation accountability so that it has an impact on increasing good performance.

#### **8. The Effect of Apparatus Competence on the Performance of Financial Managers Through Accountability**

The results of the research using hypothesis testing are described in Table 22. The coefficient value of the apparatus competence variable on the performance of financial managers through accountability is 0.724 with  $P = 0.046 < 0.05$ . The data shows that the competence of the apparatus has a significant positive effect on the performance of financial managers through accountability, it can be explained that the existence of a good and well-planned apparatus competence will result in better accountability for program implementation so that it has an impact on increasing good performance.

#### **9. The Effect of Internal Control on the Performance of Financial Managers Through Accountability**

The results of the research using hypothesis testing are described in Table 22. The coefficient value of the internal control variable on the performance of financial managers through accountability is 0.687 with  $P = 0.028 < 0.05$ . The data shows that internal control has a significant positive effect on the performance of financial managers through accountability, it can be explained that the implementation of good and well-planned internal control will result in better program implementation accountability so that it has an impact on increasing good financial performance.

### **V. Conclusion**

1. The internal control system has a positive and significant effect on the accountability of the Makassar City Government.
2. The competence of the apparatus has a positive and significant effect on the accountability of the Makassar City Government.
3. Internal control has a positive and significant effect on the accountability of the Makassar City Government.
4. The internal control system has a positive and significant effect on the performance of the Makassar City Government's financial management.
5. The competence of the apparatus has a positive and significant effect on the performance of the Makassar City Government's financial management.
6. Internal control has a positive but not significant effect on the performance of the Makassar City Government's financial management.
7. Accountability has a positive and significant effect on the performance of the Makassar City Government's financial management.
8. The internal control system has a positive and significant effect on the performance of financial managers through accountability.
9. Apparatus competence has a positive and significant effect on the performance of financial managers through accountability.
10. Internal control has a positive and significant effect on the performance of financial managers through accountability.

### **VI. Suggestion**

1. The local government in Makassar City should further improve the implementation of the internal control system in several ways such as the application of environmental control, risk assessment, implementation of sustainable control activities, improvement of communication and information, and improvement of supervision effectiveness.
2. Local Government in Makassar City to further improve the competence of the apparatus such as knowledge, skills, and attitudes. Increasing the competence of the apparatus can be done in several ways, such as further study for employees at the S1 and S2 levels and even S3 levels, involving employees as a

whole in training activities, internships, comparative studies, and training, providing equal opportunities to all apparatus for self-development.

3. Local Government in Makassar City to further improve the implementation of the internal control system through several ways such as implementing accountability for all programs; implementation of transparency in all aspects; financial supervision that is scheduled and carried out on an ongoing basis; open application of social responsibility; and financial management in accordance with applicable regulations.
4. Makassar City Government to further improve the implementation of accountability through several programs such as program preparation based on local government performance indicators as well as involving and receiving input from external and internal parties, program implementation following applicable laws and regulations, and policy formulation that supports the realization of financial management performance. which is very good.
5. The local government in Makassar City is to further improve the quality of financial management performance through several programs such as accountability for financial management performance reports that are transparent and easily accessible to interested stakeholders.
6. It is recommended to researchers who will conduct relevant research to study further on the Internal Control System, Apparatus Competence, Internal Control, Accountability and Financial Manager Performance, as well as conduct research in several different regions or provinces so that the results can be better

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