



THE INFLUENCE OF THE GOVERNMENT'S INTERNAL CONTROL SYSTEM AND THE AVAILABILITY OF BUDGETS ON THE QUALITY OF FINANCIAL STATEMENT (Case Study in local governments in North Sumatra)

¹Nunung Sri Wahyuni; ²Muhyarsyah; ³Eka Nurmala Sari,

¹Post-graduate Program University of Muhammadiyah Sumatera Utara

²Post-graduate Program University of Muhammadiyah Sumatera Utara

³Post-graduate Program University of Muhammadiyah Sumatera Utara

¹Email: nunungsw.bkdsu@gmail.com

²Email: otanjung@yahoo.co.id

³Email: ekanurmala@umsu.ac.id

Abstract

This study aims to test and analyze in a simultaneous partial and variable internal control systems and the availability of government budget to the quality of financial statement.

The object of this research is the local government in North Sumatra Province which consists of one (1) province and 33 (thirty-three) district/city. The technique used is the sample the sample is saturated. This research uses descriptive quantitative research methods with the techniques of data collection through the distribution of questionnaires on the Device Organization respondents in this study i.e. Finance and assets Management Agency Regions and Regional Inspectorates. Methods of analysis used in this study is the analysis of multiple linear regression.

The results of this study suggest that (1) the system of internal control of government influence on the quality of financial statement., (2) the availability of the budget does not have an effect on the quality of financial statement., (3) simultaneous control systems the Government's budget and the availability of internal influence on the quality of financial statement.

Keywords: *government's internal control systems, availability of budget, financial statement*



A. Introduction

This form of accountability for financial management in local governance are regulated in the regulation/legislation gives rise to consequences for local governments to be able to manage the finances of the region and produce financial reports that is transparency and have accountability. Accountability is a form of liability account for success or failure of the implementation of the Organization's mission in achieving the goals and objectives that have been set previously, through a media accountability that was implemented in periodic (Mardiasmo, 2006).

One of the concrete efforts to achieve transparency and accountability financial management area is the submission of the report the Government's financial liability that meets the principles of a timely and structured by following the standard the Government accounting has generally accepted (Herawati, 2014). The financial report is a form of accountability for financial management area as the embodiment of the principle of accountability and transparency of financial management are presented in accordance with Government accounting standards (SAP) (SAP) (Kementerian Keuangan RI, 2018), ents of the Government should be correct and quality.

The quality of financial reports can be seen from an examination of the auditor who give opinions about the presentation of the financial statements of an organization. Examination of financial statements was conducted in order to provide an opinion/opinions upon the reasonableness of the financial information presented in the financial report (Ratifah & Ridwan, 2012). According to (Kaimenakis, Cohen Sandra, 2011) in (Sari, 2015) that high-quality financial statements must not only comply with the accounting standards, but at the same time the financial statements must be accompanied by an external auditor's report on commentary on compliance in the preparation of the financial statements. In other words, that the quality of the local government finance report (LKPD) reflected the results of the examination of the external auditor, namely the Agency Financial Examiners.



The phenomenon about the quality of the financial report on local government currently stated by Gamawan Fauzi (Fauzi, 2011) which suggests that although the quality of the financial report of the public sector has increased, but the Interior Ministry assess from the management and financial statement area still found flaws. It is also expressed by Finance Minister Sri Mulyani (Mulyani, 2016) tating in order that local governments for not quickly satisfied with predicate WTP from the results of the audit of the financial statements conducted by the BPK, because in reality though gets the status of the WTP, there are still many areas that are head stuck up corruption cases. Up to the year 2017, the opinion of the financial statements of local Government did not experience an increase, even a local Government still found that experienced a decrease in the opinion of the WDP and WTP being from WDP into TMP. From the results of the examination are presented BPK RI over the years shows that the giving of opinions is still dominated by the still weak internal control systems of the Government, weak oversight and the delay in the submission of financial statements.

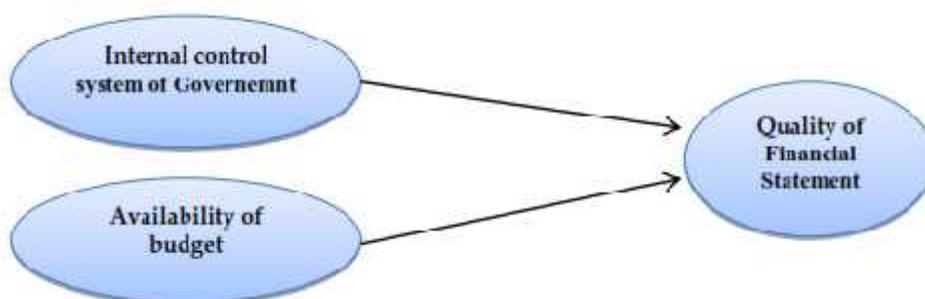
Other factors that are considered to affect the quality of the financial report of local government is the budget. The development plan can not be run without any assurance of the availability of the budget that is able to accommodate the needs of the community, the business world and Government (Ir. H. Dede Hermasah, 2008). Currently, the availability of the budget drawn up by the local government allocated a large part of shopping for employees. The scope of the budget be relevant and important in the environment of local government due to the impact of the budget against government accountability, with respect to the function of the Government in providing service to the public (Idris, 2013).

The accountability of the management of the budget will be seen from the quality of the financial report of the Government of the region, where the results of the management of this budget will be reflected in the financial statements.



Based on the explanation that has been put forth, then that underlie this research to analyse the influence of the system of internal control and the availability of government budget to the quality of financial statement. The hypothesis presented in this study are:

1. The internal control system of the influential Government partially to the quality of financial statement.
2. The availability of influential budget partially to the quality of financial statement.
3. The internal control system of the Government and the availability of the budget collectively influence on the quality of financial statement.



Picture 1. Conceptual Framework

B. Method

This research using quantitative data analysis. Research on the population is the local government in North Sumatra that is as much as the 34 provincial/district/city. The sampling technique used was saturated samples, i.e. all populations being sampled research. Data collection techniques in general use questionnaire, i.e. a list of questions or statements (item) is structured, addressed to officials of the financial management area (PPKD) and the Inspectorate of the regional district and town in the province of North Sumatra.

Data analysis techniques used in this research is the regression analysis using SPSS version 25 with interest rate of 5%. Before testing the hypothesis of the study, it was the first test carried out normality and find



correlations between each variable. Then continue to do hypothesis testing using multiple linear regression analysis.

C. Research Finding

Based on the research results then get the results of the processing of data obtained from research instrument (questionnaire) is as follows:

1. Test Of Normality

Table 1. Test Of Normality

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		68
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.20359008
Most Extreme Differences	Absolute	.056
	Positive	.056
	Negative	-.055
Test Statistic		.056
Asymp. Sig. (2-tailed)		.200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source : Output SPSS

From the above table it can be seen the value of unstandardized Sig (2-tailed) variable for the whole entire $0.200 > 0.05$. Thus it can be stated normally.

2. Test Of Multikolinierity

Table 2. Test Of Multikolinierity

Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
		B	Std. Error	Bet	t	Sig.	Tolerance	VIF
1	(Constant)	11.396	2.095		5.440	.000		
	SPIP (X1)	.038	.012	.385	3.153	.002	.893	1.119
	KA (X2)	-.037	.029	-.155	-1.272	.208	.893	1.119

a. Dependent Variable: K-LKPD (Y)

Source : Output SPSS

Based on the table above the Variance Inflation Factor (VIF) Government Internal Control System variables (SPIP/X 1) of 1.119,



variable availability of budget (KA/X 2) amounted to 1.199. Thus the Variance Inflation Factor (VIF) entirely of smaller than 10, then on the regression model is formed does not occur multikolinier symptoms.

3. Test Of Heterokedasitas

Table 3. Test Of Heterokedasitas

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.911	1.189		.766	.446
	SPIP (X1)	-.009	.007	-.169	-1.313	.194
	KA (X2)	.024	.016	.186	1.450	.152

a. Dependent Variable: RES2

Source : Output SPSS

Based on the above table, seen that the regression model does not occur heteroskedastistas symptoms. This is due to the Sig. Internal Control System variables Government (SPIP/X 1) against absolute residual of $0.194 > 0.05$, Sig. Variable availability of budget (KA/X 2) against absolute residual of $0.152 > 0.05$, or can be said to be the value of its significance is greater than the value of the alpha (Sig, $> \alpha$).

4. Multiple Linear Regression Equation

Table 4. Result Of Multiple Linear Regression Equation

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	11.396	2.095		5.440	.000
	SPIP (X1)	.038	.012	.385	3.153	.002
	KA (X2)	-.037	.029	-.155	-1.272	.208

a. Dependent Variable: K-LKPD (Y)

Source : Output SPSS

Multiple Linear Regression Equation:

The quality of financial statement = $11,936 + 0385 \text{ SPIP} - 0155 \text{ KA}$

SPIP: Internal Control System Of The Government

KA: The Availability Of Budget



5. Test Of Hypothesis

a. t-test

Table 5. Resultt of t-test

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	11.396	2.095		5.440	.000
	SPIP (X1)	.038	.012	.385	3.153	.002
	KA (X2)	-.037	.029	-.155	-1.272	.208

a. Dependent Variable: K-LKPD (Y)

Source : Output SPSS

1. Hypothesis 1 (internal control system the Government Influence to the quality of financial statements), $t_{count} (3,153) > t_{table} (1,996)$ significance level 0.05, then $0002 < H_0$ denied and H_a is received, means that it had influence between control systems the Government's response to the quality of internal financial statement.
2. Hypothesis 2 (the influence of the availability of the budget to the quality of financial statements), $t_{count} (-1,272) < t_{table} (1,996)$ significance level $0208 > 0.05$, then accepted and H_a H_0 is rejected, meaning that there is no influence between the availability of the budget to the quality of financial statement.

b. F-test

Table 6. Result of F-test

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.942	2	7.471	5.003	.010 ^b
	Residual	97.058	65	1.493		
	Total	112.000	67			

a. Dependent Variable: K-LKPD (Y)
 b. Predictors: (Constant), KA (X2), SPIP (X1)

Source : Output SPSS

From the test results that were obtained $F_{count} (5,003) > F_{table}(3,14)$ significance level 0.05, then < 0.010 H_0 denied and H_a is received,



meaning the Government's internal control systems and the availability of simultaneous budget affect the quality financial statements.

6. Coefficient of Determination

Table 7. Coefficient of Determination

Model Summary^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.365 ^a	.133	.107	1.22197
a. Predictors: (Constant), KA (X2), SPIP (X1)				
b. Dependent Variable: K-LKPD (Y)				

Source : Output SPSS

From the results of the data processing in the get that the quality of financial statement capable of variable explained by the internal control system and the availability of government budget of 0.107 (10.7%), while the rest of 89.3% explained by other causes the unknown in this research.

D. Discussion

1. The internal control system of Government Influence to the quality of financial statement

The results obtained in this research supports research conducted by Herawati, (2014; Kurniawan, 2017; Sari, 2015; Sudirman, 2016) that States that the system of internal control system of the influence on the quality of financial statement. Therefore, based on the above research, then the conclusion that can be taken to create a quality financial reports, local governments should improve and ensure that all the elements of an existing dimension/in the internal control system the Government goes well and properly in accordance with the provisions. Regulation Chief of BPKP Number 2016 4 years of Assessment Guidelines and the strategy of Increasing maturity of the system of internal control the Government issued by the BPKP aims so that all local governments through the regional Inspectorate can do the assessment itself (self assessment) towards maturity (maturity level) internal control system of the Government in the area. This regulation is expected by all local governments can more optimally to implement internal control systems of



the Government so that it can generate quality financial reports for the purpose of accountability in order to achieve good governance in local governments.

2. The influence of the availability of the budget to the quality of financial statement

The results obtained in this study is that the availability of the negative effect of the budget to the quality of financial statement. From the results of a descriptive responses respondents, seen that the ability of the apparatus in managing the budget hasn't been fullest resulting in budget that implemented yet have inputs, outputs and outcomes that are clear and precise. Performance-based budget has yet to be has measurable impact both qualitatively as well as quantitatively, so this is resulting in negative influence to the quality of the financial report of the Government of the region.

3. The influence of the system of internal control and the availability of government budget to the quality of financial statement

From the results of the research results that can be obtained simultaneously, internal control system and the availability of government budget affect the quality of the financial statements. The results of this study support the research research (Suwanda, 2015.) says that simultaneously variable accounting system of governance, the quality of human resources, the implementation of internal control systems, organizational commitment and utilization influential information technology significantly to the quality of financial statement and research (Giuliani, 2010) States that an understanding of accounting, utilization of financial accounting information systems area and the role of internal audit in effect simultaneous to the quality of financial statement.



E. Conclusion

Based on the test results, the hypothesis in this study are as follows:

1. the internal control system of government influence on the quality of financial statement. This means with a good internal control system, then it can affect the quality of the resulting financial reports.
2. The availability of the budget does not have an effect on the quality of financial statement. This is because that ability in the management of performance-based budget and drafting has not performed to its full potential, so that this is resulting in negative influence to the quality of the financial report of the Government of the region.
3. Simultaneously, the system of internal control and the availability of government budget affect the quality of the financial report.

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