



The Effect of Government Internal Control Systems and Organizational Commitments on the Performance of Regional Financial Management with Good Governance as the Intervening Variable (Empirical Study at the Ende Regency Regional Work Unit Service)

Iriany Dewi Soleiman^(✉), Yulita Londa, and Falentina Lucia Banda

Faculty of Economics, University of Flores, Ende, Flores–East Nusa Tenggara, Indonesia
irianydewi96@gmail.com

Abstract. This study aims to determine the effect of the government's internal control system, organizational commitment on the performance of regional financial managers with good governance as an intervening variable at the Regional Work Units (SKPD) of Ende Regency, NTT. This research method is quantitative. The population in this study were 53 SKPD in the government of Ende Regency. The sampling technique used in this study is purposive sampling with 61 respondents. The data sources used are primary data and data collection techniques through questionnaires. The data were analyzed using path analysis technique Path using SPSS. The results of the study show that: 1) the government's internal control system has a significant direct effect on good governance. 2) Organizational commitment does not directly have a significant effect on good governance. 3) The government's internal control system directly has a significant effect on the performance of regional financial managers. 4) Organizational commitment has a significant direct effect on the performance of regional financial managers. 5) Good governance directly has a significant effect on the performance of regional financial managers. 6) Good Governance does not mediate the indirect relationship between the government's internal control system and the performance of regional financial managers. 7) Good Governance also does not mediate an indirect relationship between organizational commitment and the performance of regional financial managers.

Keywords: Government Internal Control System · Organizational Commitment · Good Governance · Regional Financial Manager Performance

1 Introduction

Accounting practices carried out by government institutions, state/regional-owned companies and various other public organizations have received great attention from the public at this time. There are demands from the community for transparency, accountability

© The Author(s) 2023

C. Wen-Hai and A. Mursid (Eds.): ICBABE 2022, AEBMR 240, pp. 48–55, 2023.

https://doi.org/10.2991/978-94-6463-154-8_7

and participation in the management of the government system. So that the presence of good governance is absolutely necessary at this time. Previous research on good governance conducted by Pratolo (2006) found that weak management control will have a very strong effect on the application of good governance principles and performance. However, partially organizational commitment, internal control, and the application of good governance principles have no significant positive effect on hospital performance. Other research conducted [1] states that the government's internal control system has a significant effect on financial management performance. Research result [2] shows that the government's internal control system has an effect on the implementation of good governance. However, in research [3] states that the government's internal control system has no effect on good governance. Research Results [4] states that organizational commitment has a significant effect on the implementation of good governance. Based on the description and differences in the results of previous research, the authors want to re-examine the influence of the government's internal control system, organizational commitment to regional financial management performance with good governance as an intervening variable.

2 Theory Study and Hypothesis Development

2.1 Attribution Theory

A theory that explains how to determine the motives of a person's behavior. According to (Robbins, 2006) in [5] argues that attribute theory is how a person interprets an event, because his behavior is either from internal factors or external factors.

2.2 Government Internal Control System

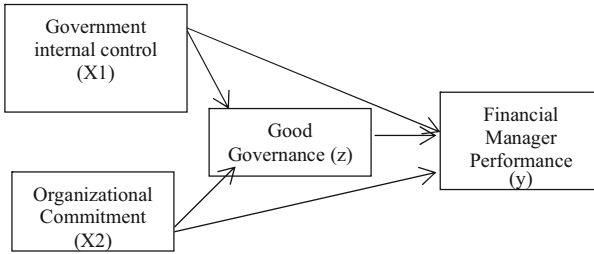
Government Regulation of the Republic of Indonesia No. 60 Year 2008 in [6] defines that the Internal Control System is an integral process for actions and activities carried out continuously by the leadership and all employees to provide adequate assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reports, safeguarding state assets, and compliance with regulations. Legislation. Internal control can be measured based on indicators, namely control environment, risk assessment, control activities, information and communication, and monitoring of internal control.

2.3 Organizational Commitment

Organizational commitment is a strong desire to remain a member of an organization. This commitment is indicated by the continuous loyalty of managers to the organization for the success and welfare of the organization do better for the benefit of the company.

2.4 Good Governance

Based on PP No. 101 of 2000 in [7] Regarding Good Governance, governance in its implementation has the following principles: 1) Participation, 2) obeying the law 3) Transparency, 4) Responsive, 5) Consensus oriented, 6) Equality and defending the weak, 7) Effective and efficient, and 8) Accountability.



Source Processed by Authors, 2022

Fig. 1. Research Model. Source Processed by Authors, 2022

2.5 Regional Financial Management Performance

Regional financial management performance is the ability of a region to explore and manage regional original financial sources in meeting their needs to support the running of the government system.

Based on previous research, the proposed research hypothesis is as follows:

- ha1: The government's internal control system influences Good Governance
- ha2: Organizational Commitment influences Good Governance
- ha3: Good Governance affects the performance of regional financial managers
- ha4: The government's internal control system influences the performance of regional financial managers
- ha5: Organizational commitment influences the performance of regional financial managers
- Ha6: Good Governance mediates the relationship between the government's internal control system and the performance of regional financial managers
- ha7: Good Governance mediates the relationship between organizational commitment and the performance of regional financial managers (Fig. 1)

3 Research Methods

3.1 Population and sample

The population in this study were all officials involved in financial management in 53 SKPD in Ende district. The sample was selected using a purposive sampling technique with the respondents being the head of the section, the secretary and the treasurer.

3.2 Data Collection Technique

Data collection techniques used are questionnaires and interviews. Questionnaires distributed as many as 61.

3.3 Data Analysis Technique

Data analysis in this study used path analysis using SPSS. Before testing the hypothesis, the data quality test and classical assumption were tested. Data quality testing includes validity and reliability tests. Classical assumption testing includes normality, multicollinearity and heteroscedasticity tests.

4 Research Results and Discussion

4.1 Validity Test

The processed results of the validity test for all items of the Government Internal Control System, Organizational Commitment, Good Governance and Financial Management Performance are valid where the correlated item total correlation value is > 0.252 .

4.2 Validity Test

SPSS processed results for the variables of Government Internal Control System, Organizational Commitment, Good Governance and Financial Management Performance are reliable with Cronbach's alpha value > 0.60 .

4.3 Class Assumption Test

4.3.1 Normality Test

Based on the results of the processed data, the Kolmogorov Smirnov Normality Test obtained the Asymp.Sig (2-tailed) value of $0.804 > 0.05$ so that it can be concluded that the regression model meets the assumption of normality.

4.3.2 Multicollinearity Test

Based on the results of processed data, it is known that the tolerance value of Collinearity Statistics for the government internal control system variable (X1), organizational commitment (X2) and the intervening variable, namely Good Governance (Z) are all more than 0.1 and the VIF value is below 10. This shows that there is no multicollinearity between the independent variables in this model.

4.3.3 Heteroscedasticity Test

Based on the processed results, the significance value of the Government's internal control system variable (X1), organizational commitment (X2), the intervening variable, namely Good Governance (Z), is greater than 0.05. So it can be concluded that there is no heteroscedasticity in the regression model.

4.3.4 Path Analysis Results

The results of the path analysis can be seen in Table 1.

Table 1. Path Coefficient Value

Independent Variable	Dependent variable	Beta Coefficient	T Count	Sig	Decision
Government Internal Control (X1)	Good Governance (Z)	0.827	11,547	0.000	Ha1 Accepted
Organizational Commitment (X2)	Good Governance (Z)	0.086	1,203	0.234	Ha2 Rejected
Government Internal Control (X1)	Financial Manager Performance (Y)	0.337	2,268	0.027	Ha3 Accepted
Organizational Commitment (X2)	Financial Manager Performance (Y)	0.300	3,621	0.001	Ha2 Accepted
Good Governance (Z)	Financial Manager Performance (Y)	0.381	2,539	0.014	Ha5 Accepted
Influence	Regression Coefficient		Decision		
Direct influence (PIP - KPK)	0.337		Ha6 Rejected		
Indirect influence (PIP-GG) x (GG-KPK)	0.315				
Influence	Regression Coefficient		Decision		
Direct influence (KM-KPK)	0.300		Ha7 Rejected		
Indirect influence (KM-GG) x (GG-KPK)	0.033				

4.4 Discussion

4.4.1 The Influence of the Government's Internal Control System on Good Governance

The first hypothesis in this study is to examine the effect of the government's internal control system on good governance. The results of the regression analysis show that t count $>$ t table is $11,547 > 2,001$ with a significant value of 0.000 and an error rate (alpha) of 0.05, thus Ha1 is accepted, it is concluded that the government's internal control system has a significant effect on good governance in the Ende district government. This shows that if the government's internal control system is implemented properly then Good Governance can be achieved. This research is in line with research conducted by [8] who argues that the government's internal control system has an effect on good governance.

4.4.2 The Effect of Organizational Commitment on Good Governance

Based on Table 1, the results of the regression analysis show that Organizational Commitment has no effect on Good Governance. Organizational commitment influences good governance in the local government of Ende Regency is rejected, meaning that the regional financial managers in the Ende Regency government do not have high organizational commitment to the implementation of good governance.

4.4.3 The Influence of the Government's Internal Control System on the Performance of Regional Financial Managers

Based on Table 1, the results of the regression analysis show that the government's internal control system influences the performance of regional financial management, this is evidenced by the regression calculation $t \text{ count} > t \text{ table}$, namely $2.268 > 2.001$ with a significant value of 0.027 and an error rate (α) of 0.05, so H_{a3} which states that the government's internal control system affects the performance of regional financial management, it is accepted that the better the government's internal control system is implemented, by the local government of Ende district, the better the performance of regional financial. The results of this study are in line with research [5] states that the government's internal control system has a positive effect on the performance of financial employees in the Temanggung district.

4.4.4 The Effect of Organizational Commitment on Performance of Regional Financial Managers

Based on Table 1, the results of the regression analysis show that organizational commitment affects the performance of regional financial managers as evidenced by the regression calculation $t \text{ count} > t \text{ table}$, namely $3.621 > 2.001$ with a significant value of $0.001 < 0.05$, thus H_{a4} which states that Organizational Commitment affects performance regional financial managers accepted. This means that the higher the organizational commitment Ende district financial manager, the performance will also increase. The results of this study are in line with research [5] stated that organizational commitment has a positive effect on the performance of the Temanggung district financial officer.

4.4.5 The Effect of Good Governance on the Performance of Regional Financial Managers

Based on Table 1, the results of the regression analysis show that good governance has a significant effect on the performance of regional financial managers, as evidenced by the regression calculation $t \text{ count} > t \text{ table}$, namely $2.539 > 2.001$ with a significant value of $0.014 < 0.05$ so that H_{a5} states that good governance has an effect on the performance of regional financial managers received. It means if the local government has been able to apply the principles of good governance in the administration of its government, then the performance of financial managers will also be better.

The results of this study are in line with research [5] stated that Good governance has a positive effect on the performance of the Temanggung district financial officer.

4.4.6 The Government's Internal Control System Influences the Performance of Regional Financial Managers with Good Governance as an Intervening Variable

Based on Table 1, it is known that the direct effect of the government's internal control system on the performance of regional financial managers is 0.337, while the indirect effect of the government's internal control system through good governance on the performance of regional financial managers is 0.315. Based on the calculation results above, it is known that the value of the indirect effect is more small compared to the value of direct influence, H_{a6} is rejected. This indicates that Good Governance does not mediate the influence of the government's internal control system on the performance of regional financial managers Ende district.

4.4.7 Organizational Commitment Influences the Performance of Regional Financial Managers with Good Governance as an Intervening Variable

Based on Table 1 it is known that the direct effect of organizational commitment to the performance of regional financial managers is 0.300 while the indirect effect of organizational commitment through good governance to the performance of regional financial managers is 0.033 based on the calculation results above it is known that the value of the indirect effect is smaller than the value of the influence directly then H_{a7} is rejected this shows that good governance does not mediate the effect of organizational commitment on the performance of regional financial managers in Ende district.

5 Closings

5.1 Conclusion

Based on the results of the analysis in this study several conclusions can be drawn, namely: 1) the government's internal control system has a significant direct effect on good governance. 2) Organizational commitment does not directly have a significant effect on good governance. 3) The government's internal control system directly has a significant effect on the performance of regional financial managers. 4) Organizational commitment has a significant direct effect on the performance of regional financial managers. 5) Good governance directly has a significant effect on the performance of regional financial managers. 6) Good Governance does not mediate the indirect relationship between the government's internal control system and the performance of regional financial managers. 7) Good Governance also does not mediate an indirect relationship between organizational commitment and the performance of regional financial managers.

Limitations

The object of this research is limited to the SKPD of Ende Regency. This allows for differences in research results if the research is carried out to add or replace different objects and research areas.

5.2 Suggestion

Further researchers can expand the object of research, for example by using a sample of SKPD in several districts or cities.

References

1. Susanto, R., *Effect of Good Governance, Internal Control, Employee Commitment, and Regional Financial Management on Regional Government Managerial Performance (Empirical Study on Klalten Regency Government)*. 2015, Upn “veteran” yogyakarta.
2. Ristanti, NMA, NK Sinarwati, And SJJU Edy Sujana, *The Effect of Internal Control System, Regional Financial Management and Organizational Commitment on the Implementation of Good Governance (Case Study on the Tabanan Regency Regional Work Unit)*. 2014. 2(1).
3. Ruspina, DOJJA, *The Effect of Local Government Apparatus Performance, Regional Financial Management, and Government Internal Control System (Spip) on the Implementation of Good Governance (Empirical Study on Padang City Government)*. 2013. 1(3).
4. Sari, WN, V. Ratnawati, And R. Rusli, *The Influence of Local Government Apparatus Performance, Regional Financial Management, Government Internal Control System (Spip) and Organizational Commitment to the Implementation of Good Governance (Empirical Study on the Rokan Hulu Regency Regional Apparatus Work Unit)*. 2017, Riau University.
5. Pangestika, F., *The Effect of Internal Control, Good Governance, and Organizational Commitment on the Performance of Financial Employees in Temanggung Regency the Effect of Internal Control, Good Governance, And Organizational Commitment On Employee Performance* 2016.
6. Muhammad Safrin1, ETP, *The Effect of Internal Control System on the Quality of Financial Reports with Good Government Governance as an Intervening Variable (Study on Bpkad of Central Buton Regency)*. 2021.
7. Sonia Sischa Eka Putri, AHMR, *The Influence of Internal Control, Good Governance, Organizational Culture, Quality of Human Resources, Motivation and Organizational Commitment on Employee Performance at Opd Kampar Regency* 2018.
8. Azlina, N., *Good Governance Mediates the Relationship between Regional Financial Management and the Government’s Internal Control System on the Performance of Government Agencies (Empirical Study of Opd Solok Regency)*. *Journal of Accounting and Auditing Studies*, 2019.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter’s Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter’s Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

