

# Effect of Elements of Internal Control System on Management of Pro Deo Case and Quality of Financial Statements

(Study on Religious Courts in DKI Jakarta)

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**Abstract**—The aim of this research is to know the significance effect of internal control elements to the effectiveness of Pro Deo case management, and the financial statement quality at religion court in Jakarta Province. Data, that is used in this research is primary data, that researcher give the respondent a questionnaire. Population is servant and judge in religion court in Jakarta Province, and the sample is purposive sampling. Then the data is collected and calculated by SEM (structural equation modelling) by Lisrel 8.70 application. These results, it is recommended to: (1) leadership of the Court of Jakarta Religious or authority related to the improvement of the effectiveness of Pro Deo management and improving the quality of financial reports, for more attention to indicators of measurement that is still influential in the study as a basis for improving services Pro Deo and also in improving the quality of financial reporting in the scope of religious courts in the Jakarta area; (2) further research is advisable to firstly make sure that the respondent had to have the level of knowledge on the indicators that were tested in order to have the same perception among the respondents.

**Keywords**—*internal control system; effectiveness of Pro Deo case management; quality of financial*

## I. INTRODUCTION

Internal control within an organization is a factor that determines the reliability of financial statements generated by the organization. Internal control aims to protect the wealth of the organization by minimizing deviations and waste and maximize the efficiency and effectiveness of the performance of organizations / government agencies [1]. In practice, government performance is often tainted by practices of inefficiency and inefficiency by government officials, reducing the quality of public services on the other hand is already in the spotlight [2]. This condition cannot be separated from the poor monitoring mechanism, lack of coordination between the supervisory apparatus and law enforcement apparatus, and the weakness of internal control [3].

The manifestation of the execution of the budget is reported in the respective court financial statements as the budget accounting user accounting unit (UAKPA) in the form of

periodic financial reports [4]. The report is compiled to the level of the Supreme Court of the Republic of Indonesia to be subsequently submitted by the Ministry of Finance as material for the preparation of LKPP [5]. Preparation of financial statements in each court in the DKI Jakarta area has been done through the application of SAIBA (Accrual Base Institution Accounting System), and to uniform in terms of disclosure of financial statement each court assisted by Komdanas online application (online data communication) Through the Supreme Court website [6].

The existence of the internal control system of the Supreme Court has been stipulated by the Decree of the Chief Justice of the Supreme Court Number 151A Year 2011 concerning the Implementation of Internal Control System within the Supreme Court of the Republic of Indonesia, furthermore the issuance of the regulation concerning the service standard with the Decree of the Chairman of Supreme Court Number 26 Year 2012 on Standard of Judicial Service. Based on the decision of the Chief Justice of the Supreme Court, any court or work unit under the Supreme Court shall establish standards of service or standard operating procedure in each court. As in the Religious Court of South Jakarta set the standard of service with the Decree of the Chief of Religious Court of South Jakarta Number W9-A4/174/HM.00/I/2016 about Court Service Standard [7]. Whereas inadequate information has been issued by external parties outside the court. The combination of these two applications is expected to improve the quality of preparation of financial statements within the Supreme Court [8].

## II. LITERATURE REVIEW

The definition of internal control is cited from the meaning formulated by the IAPI organization (Indonesian Institute of Certified Public Accountants). Internal control [9],” process - run by the board of commissioners, management, and other personnel of the entity - designed to provide reasonable assurance about achieving the following three classes of objectives: (a) reliability of financial reporting, (b)

effectiveness and efficiency of operations; and (c) Compliance with applicable laws and regulations”.

Furthermore, in article 57 the law states: (1) At each district court a legal aid post is provided to justice seekers who are unable to obtain legal assistance; (2) Legal assistance as referred to in paragraph (1) shall be provided free of charge at all levels of the judiciary until the decision of the case has obtained a permanent legal force; (3) Legal aid and legal aid post referred to in article (1) shall be implemented in accordance with the provisions of legislation. Based on the consideration of the law, the Supreme Court issued Supreme Court Regulation No. 1 of 2014 on Guidelines for the provision of legal services for the poor [10].

In Law No. 7 of 1989 as the second (last) amendment with No. 50 of 2009 on Religious Courts in article 60B paragraphs (2) and (3) it states "... (2) Everyone who is in a case for a justice seeker who is unable, (3) the disadvantaged party as referred to in paragraph (2) must attach a letter of inability from the *kelurahan*/village of the domicile concerned. "Whereas according to the Regulation of the Supreme Court Number 1 Year 2014 concerning Guidelines for the provision of legal services for the community incapable in court, provided for in Article 1 paragraph (2) and (4), which reads entirely: (2) First level, appeal level, appeal level and reconsideration, while siding outside courthouse and court *posbakum* is only applicable at the first level; (4) the court fee waiver service is the state bears the cost of litigation proceedings in court so that any person or group of economically disadvantaged persons may be liable for free [10].

The effectiveness according to the performance measurement value for money as proposed by Mardiasmo defines "effectiveness is a measure of success or failure of an organization to achieve its objectives" [11]. Achievement of goals has an effective characteristic, as proposed by Armstrong and gives a description of the characteristics of a goal that can be said to either show the following properties: (a) consistent, (b) Precise, (c) Challenging, (d) Measurable, (e) achievable, (f) agreed, (g) connected to time, (h) team-oriented, While Harvard Business revealed that the characteristics of an effective goal: Recognized as important, Clear (articulated), Written in specific terms (written by terminology specific), Measurable and framed in time, aligned with organizational strategy, achievable but challenging, supported by appropriate reward [12].

The purpose of the financial statements is "to provide information useful for investors and creditors in investment and credit decision-making". The qualitative characteristics of the financial statements according to Supreme, are "(1) understandable, (2) relevance, (3) reliability, (4) comparability, and (5) consistency" [13]. Definition of financial statements according to Government Regulation (PP) No. 71 of 2010 on Government Accounting Standards, explains that: The general purpose of the financial statements is to provide information on the financial position, budget realization, more budget balance, cash flow, operating results, and changes in the equity of a reporting entity that benefit the users in creating and evaluating decisions on resource allocation [11].

### III. METHOD

The data used in this study is the primary data that is the researcher conducted a survey of spaciousness directly with the distribution of questionnaires to the respondents who manage the Pro Deo case. The target population of this study is all employees and judges in the religious court of DKI Jakarta area which is about 304 people. Sample was taken by purposive sampling, the sampling technique with special considerations that deserve to be sampled [13]. Sample determination is selected by officers and judges who have conducted the Pro Deo case management process, so that the representation of respondents from all levels of positions related to the Pro Deo case management process from planning to reporting from each religious court in DKI Jakarta Region. So the sample of research obtained 50 employees and judges.

Data were collected through questionnaires distributed to the respondents. Respondents were given questionnaires of a sample of 50 (fifty) respondents and all collected. Number of respondents who returned the questionnaire with answers filled with a number of 47 (forty seven) respondents. Questionnaires distributed to respondents, first tested the validity of the questionnaire. Testing the validity of questionnaire questions is done using the SPSS Application. From 38 (thirty eight) items of questionnaire submitted, obtained 19 items of valid questions and feasible for further testing in order to answer the research hypothesis. Analysis of data using Structural Test Equation Model (SEM), but s SEM Before the test, the data must first be tabulated and converted into an interval scale, carried out by the Method of Successive Interval [14].

### IV. RESULTS AND DISCUSSION

From the results of hypothesis testing where from the test model obtained Chi-square value= 91,72 with P-value= 0.0796 thus that the proposed model can be accepted. The model gives 2 (two) following equations:

$$Y1 = 0,42X1 \quad (1)$$

$$Y2 = 0,50 * Y1 + 0,30 * X1 \quad (2)$$

Both of equations shows that equation (1) gives a significant influence of control environment on the effectiveness of Pro Deo management with a significant t-value level of 2,22 and an influence level of 17%, while in equation (2) gives an illustration that the control environment ) Has no significant effect on the quality of financial statements (Y2) with the value of t-value = 1,54 while the effectiveness of case management (Y1) has a significant effect on the quality of financial statements with t-value = 2,33 with the influence level of 46%. The indirect influence of the control environment (X1) on the quality of the financial statements (Y2) through the effectiveness of the handling of Pro Deo cases (Y1) by 6%. Thus the control environment (X1) has a significant effect on the effectiveness of the management of Pro Deo cases (Y1) but has no significant impact on the quality of financial statements (Y2).

From the results of hypothesis testing where test result values obtained models Chi-square= 12,18 with P-value=

0,83802 so that the model proposed is acceptable. The model provides two (2) the following equations:

$$Y1 = 0,32X2 \quad (1)$$

$$Y2 = Y1 + 0,61 * 0,056 * X1 \quad (2)$$

Of the second equation shows that equation (1) gives an overview insignificant impact on the effectiveness of risk management assessment Pro Deo with significant levels of t-value of 1,88 and a degree of influence by 10%, while in equation (2) suggests that the risk assessment (X2) not significant effect on the quality of financial statements (Y2) with t-value = 0,34, while the effectiveness of case management (Y1) significantly affects the quality of the financial statements with the value of the t-value = 2,84 to influence the level of 40% , The indirect effect of risk assessment (X2) on the quality of financial statements (Y2) through management effectiveness Pro Deo (Y1) is only 1%. Thus the risk assessment (X2) not significant effect on the effectiveness of management Pro Deo (Y1) and also the impact is not significant to the quality of financial statements (Y2).

From the results of hypothesis testing where test result values obtained models Chi-square = 40,18 with P-value = 0,15183 so that the model proposed is acceptable. The model provides two (2) the following equation:

$$Y1 = 0,63X3 \quad (1)$$

$$Y2 = Y1 + 0,050 * 0,91 * X1 \quad (2)$$

Of the second equation shows that equation (1) described a significant influence on the control activities on the effectiveness of Pro Deo case management with significant levels of t-value of 3,17 and a degree of influence by 40%, while in equation (2) suggests that the activity of control (X3) significantly affects the quality of financial statements (Y2) with t-value = 3,88, while the effectiveness of case management (Y1) not significant effect on the quality of the financial statements with the t-value = 0,26 to influence the level of 88%. The indirect effect of control activities (X3) on the quality of financial statements (Y2) through effectiveness Pro Deo case management (Y1) is only 3%.

Thus the control activity (X3) significantly influence the effectiveness of Pro Deo case management (Y1) but has not significant impact on the quality of financial statements (Y2).

## V. CONCLUSION

Based on the results of hypothesis testing on the model of the proposed research, it can be concluded on each model in this study: The control environment significantly influence the effectiveness of Pro Deo case management ,Risk assessment has not significant effect on the effectiveness of Pro Deo case

management and also it has not significant effect on the quality of financial statements; Activities Control significantly influence the effectiveness of Pro Deo case management but it has not significant effect on the quality of financial statements; Communication and information significantly influence the effectiveness of Pro Deo case management but it has not significant effect on the quality of financial statements; Monitoring and follow-up significantly influence the effectiveness of Pro Deo case management but it has not significant effect on the quality of financial statements; effectiveness of Pro Deo case management (Y1) significantly affects the quality of the financial statements.

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