

The Effect of Financial Management Knowledge, Competence and Supervision Act of the Government's Internal Control Officer on the Quality of Government's Performance Accountability Report Evaluation

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Abstract *This study aims to determine effect of financial management knowledge, competence and supervision of the internal control official act of government (either simultaneously or partially) on the quality evaluation of performance accountability reports of government agencies (BPKP Representative Studies in Aceh Province). This study is hypothesis testing research by testing using multiple linear regressions of the data collected through questionnaires. This population is 71 auditors Government Internal Supervisory Apparatus (APIP) on BPKP Representative in Aceh province. Data analysis was performed using SPSS (Statistical Package for Social Science). The results showed that the financial management knowledge, competence and supervision of the actions of Government Internal Supervisory Apparatus take effect simultaneously and partially on the quality of evaluations Accountability Report Government Performance.*

Key words Management of financial management, competency, action supervision government internal supervisory apparatus, quality evaluation accountability report government performance

JEL Codes: M41, G31

1. Introduction

The Government Performance Accountability System (abbr: SAKIP) that has been developed by the Government since 1999 is one of the government's reaction to establish a good governance based upon the Presidential Instruction Number 7, 1999. Regarding the decree of head of LAN RI Number 239/IX/6/8/2003, The SAKIP is an instrument used by government agencies to fulfill the responsibility of success or failure in implementing the mission of organization consist of various components which constitute the unity, namely strategic planning, performance planning, performance measurement, and performance report.

In 2006 the Republic of Indonesian Government issued the Government Regulation Number 8, 2006 on Financial Reporting and Performance of Government Institutions stating that in the context of accountability of the APBN/APBD, each reporting entity shall prepare and present the Financial Statements and Performance Reports. The performances reports are generated from a developed system of government performance accountability integrate with the planning system, the budgeting system, the treasury systems and government accounting system. This Regulation shall be applied no later than the APBN/APBD 2007 of year budget (Regulation No. 8 of 2006 Article 2, 20, and Article 35).

In order to improve the government accountability and performance as well as the quality of Government Performance Accountability Report (LAKIP), it is essential to evaluate the LAKIP reported by government agencies intensively. Accountability evaluation of the government performance carried out by the Ministry of Administrative Reform and Bureaucratic Reform (PAN and RB) assisted by the Ministry of Internal Affairs, BPKP and the chosen Provincial Inspectorate. The LAKIP evaluation carried out under the guideline to the Presidential Instruction Number 7 of 1999 and the Decree of the Minister of PAN Number 135 of 2004 and the other associated regulation of the Minister of PAN and RB related to government performance accountability.

2. Literature review

2.1. Evaluation of Government Accountability Report

The report of performance accountability in the government organization called as Government Performance Accountability Report (abbr: LAKIP). The LAKIP is a document containing the description of the embodiment Accountability of Government Performance (AKIP) prepared and submitted in a systematic and institutionalized (LAN and BPKP, 2004: 266).

The evaluation of Government Performance Accountability Report needs to be done. Basically, it is not only the report evaluation, but also the implementation of the Government Performance Accountability System (SAKIP). Definition of LAKIP evaluation based on the Evaluation Accountability Report Performance Guidelines in the working units of BPKP (2002), the evaluation of LAKIP is a critical analysis activity, a systematic assessment, giving attributes, the introduction of the problem as well as providing solutions for the purpose of improving the government's performance and accountability.

The scope of LAKIP evaluation includes activities related to the achievement of the vision, mission, goals, and objectives of the organization. LAKIP evaluation is done with the purpose (PERMENPAN and RB No. B/1159/M.PAN-RB/03/2013), namely: 1) Assessment of the implementation of the government agencies activities and

programs; 2) Estimating the benefits to improve the implementation of the activity; 3) To develop programs and new techniques for performance improvement; 4) To improve the effectiveness of management activities; 5) To ensure that the accountability performance by government agencies is adequate, and 6) To develop an evaluation rating of Central and Local Government.

2.2. Financial Management Knowledge

Financial management knowledge should be owned by any government auditors. Financial management is a knowledge possessed by an auditor in the field of local government financial management. The financial management of local government related to the Government Regulation Number 58 Year 2005 on Regional Financial Management Article 1 Point 6 is "the overall activities that include planning, implementation, administration, reporting, accountability, and financial control".

Someone who work based on their knowledge will provide a better result than those who do not have a sufficient knowledge on his duty. Knowledge about Financial management is useful to find out whether the implementation of the budget is appropriate and not diverge from the regulations (Effendy, 2010).

2.3. Competence

The first common standards of the Public Accountants Professional Standards (SPAP) mentions that the audit should be carried out by one or more persons who have skill and sufficient technical training as an auditor, while the third general standard mentions that the auditor must use his professional skills carefully and thoroughly. Therefore, an auditor should have the required qualifications to conduct performance audits properly called competence (Rai, 2008:63). Meanwhile, according to Ahmad et al. (2011) auditor competence is "the auditor's ability to apply his knowledge and experience in conducting the audit so that the auditor can perform the audit carefully, intuitive, and objective".

In a same way, Suraida (2005) stated that "the competence is related to professional skills possessed by the auditor as a result of formal education, professional examinations and participation in training, seminars, and symposia".

2.4. Supervision Act of the Government Internal Control Officers

The operation of audit and evaluation conducted by teamwork. The composition of the team such as quality control, technical control, team leaders and team members, need to be supervised that appropriate to the authority and responsibility of each. Supervision is the work of supervising and guiding the implementation of the work directly (Winarno and Ismaya, 2007: 400).

According to Amalia and Kurniawan (2007), supervision is well-planned and integrated activities that are applied to supervise the work. Furthermore, Indonesian Accounting Association (2001: 311) in the Field Work Standards stated that: "The work must be well-planned and if assistants should be properly supervised". The supervision includes directing assistants in achieving the objectives of the audit and determining whether that goal is achieved. An adequate supervision for a situation reliant on many factors, including the collection of problems and the qualifications of the person performing the audit. "The breadth and depth of supervision is highly dependent on the nature and complexity of the assignment, including experience, knowledge and skill levels of auditor.

The skill of supervisor to lead subordinates will greatly affect to the work productivity. Every duty must be supervised properly to ensure the achievement of targets, ensuring the quality and increasing the ability of the staff (Jaafar and Sumiyati, 2008: 101).

3. Theoretical framework and hypotheses

3.1. The Influence of Financial Management Knowledge on the Quality of Government's Performance Accountability Report Evaluation

The ministry of Administrative Reform (2005: 3) stated that the evaluation of AKIP is a development of organizational performance reviews by the support of information and data collection through applied research. Conclusion of the outcomes will be more comprehensive to see the organization and its contribution in the improvement of overall government performance. Thus, the commitment of all officers is needed to meet the criteria of knowledge and expertise in the execution of their duties.

The knowledge of financial management is one of the urgent knowledge that needed by the government auditors in improving the quality of evaluating AKIP. They should have knowledge about a good financial management as its function as an internal control in the local government (Subagjo, 2013). The knowledge is valuable to determine whether the implementation of the budget is appropriate with the budget and not diverge from the existing regulations (Efendy, 2010).

The influence of financial management knowledge on the evaluation of the quality of local financial accountability report is in line with the results conducted by Subagjo (2013) and Puspitasari (2012) that gives the result that knowledge of financial management affect the quality of financial reporting.

Ha1: Knowledge of Financial Management affects the Quality of Government's Performance Accountability Report Evaluation.

3.2. The Influence of Competence on the Quality of Government's Performance Accountability Report Evaluation

A quality LAKIP evaluation needs to be done by those who are professional in their fields. As stated in PERMENPAN and RB Number 35 of 2011 about Implementation Guidelines for Evaluation of Government Performance Accountability, that the evaluation of performance accountability carried out by competent human resources. Therefore, it is understood that the audit and evaluation should be done by someone who has the ability and sufficient technical training as an auditor. Auditor's competence is the auditor's ability to apply his knowledge and experience in conducting the audit so that the auditor can perform the audit carefully, intuitive, and objective (Ahmad *et al.*, 2011). In addition, to perform the task of auditing, the auditor also needs to have the experience. An experienced auditor has advantages in terms of: finding the error, understands the error accurately, and find the cause of the error (Brown and Stanner, 2007).

The influence of competence on the quality of government's performance accountability reports evaluation of agencies in line with the results conducted by Septidiany (2014) and Efendy (2010) that gives the result that the competence of auditors to influence the quality of financial reporting government.

Ha2: Competence effect on Quality of Government's Performance Accountability Report Evaluation.

3.3. The Influence of Supervision Measures on the Quality of Government's Performance Accountability Report Evaluation

The work program to be carried out will be planned carefully and the following implementation will be monitored closely by the assistants and subordinates called supervision activities. Supervision activities not to find the fault, but more an element of coaching, so that work is being supervised conditions can be known shortcomings (not solely his fault) to be communicated parts that need to be fixed (Saraswati, 2012). Supervisory action is expected to have a positive impact to the supervised (Sriyono, 2004).

The influence of *Supervision Act* with the quality of government's performance accountability report evaluation of agencies suitable with the research conducted by Anwar and Amalia (2010) as well as research Sulandri (2012) that stated the action of supervision will be easier for auditors in performing their duties and help the auditee to generate a quality reports.

Ha3: Supervision Act of Government Internal Control officer affect on the Quality of Government's Performance Accountability Report Evaluation.

The research framework scheme can be seen in Figure 1.

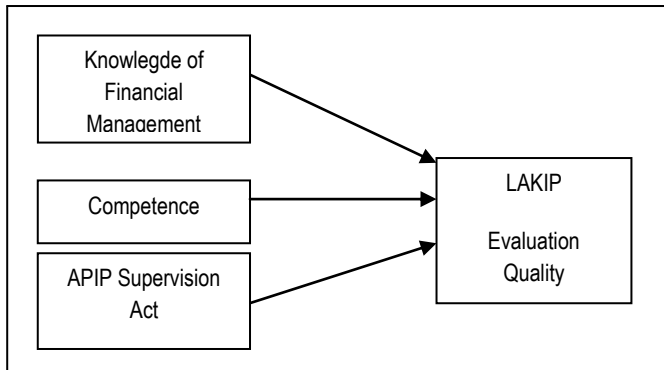


Figure 1. The Research Framework

4. Methodology of research

This study was a testing hypothesis that explains the phenomenon in the form of relationship between variables. The population was the entire Government Internal Control Officer (APIP) of BPKP Representative Aceh province that consists of 71 auditors out of 5 Coordinator Supervisor.

This research used census data as primary sources derived from the questionnaire. The data collected will be analyzed using statistical analysis tools called as Multiple Linear Regression Analysis.

5. Findings and results

5.1. The Results of Validity Test

The results of validity test showed that the coefficient correlation found from each item variable Quality of Government's Performance Accountability Report Evaluation (Y), Knowledge of Financial Management (X1), Competence (X2), and Supervision Act of Government's Internal Control Officer (X3) entirely was above the critical value product moment correlation (correlation coefficient > 0.230) so that the used questionnaire can be declared as valid.

5.2. The Results of Reliability Test

Reliability test was conducted to determine the measurement results are relatively consistent when re-tested. The test is done if the claims are valid. Reliability test is also performed statistically by calculating the value of Cronbach's alpha with SPSS software. The instruments of the study stated as reliable if Cronbach Alpha value is

greater than 0.5 (Nunnally, 1967: 45). The reliability test results showed that each instrument in this study was reliable because the value of Cronbach's Alpha greater than 0.50. It can be concluded that the questionnaires used as a measuring tool in this study merits to be used (reliable).

5.3. The Result of Classical Assumption Test

The Classical assumption test used in this study was the normality test, multicollinearity and heteroscedasticity test. Based on histogram and graphs P-Plot was known that the dependent and independent variables with normal distribution and research was a linear regression model. The result of multicollinearity as test obtained showed that there was not multicollinearity between the independent variables, the chart Scatterplot seen that there was no particular pattern in the chart. Therefore, it could be concluded that the regression model in this study was heteroscedasticity.

5.4. The Result of Hypotheses Test

Based on the calculations of SPSS, the results of multiple linear regression analysis on the variables of the study as follows:

$$\text{Formula Reg. Y} = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \quad (1)$$

$$Y = 0,568 + 0,401X_1 + 0,107X_2 + 0,408X_3 + \varepsilon$$

$$R = 0,857$$

$$R^2 = 0,735$$

- a. The correlation coefficient (R) of 0.857 indicated that the degree of relationship (correlation) between the independent variables and the dependent variable was 85.7%. That was, financial management knowledge, competence and supervision act of Government Internal Control Officer, linked to the quality of the evaluation report (LAKIP) as 85.7%.
- b. The coefficient of determination (R²) of 0.735 meant that the quality of LAKIP evaluation influenced by financial management knowledge, competence and supervision act of Government Internal Control Officer was 73.5%, while the remaining 26.5% was influenced by other variables which not included in this study. Coefficient of determination (R²) was approximately about 0.735 or not equal to zero. Thus, H_a accepted which meant that the financial management knowledge, competence and supervision act of Government Internal Control Officer simultaneously affect the quality of the LAKIP evaluation.

c. Constants of 0,568 meant that if the financial management knowledge, competence and supervision act of government's internal control officer considered as constant, then the value obtained from the evaluation quality of the LAKIP variable amounted to 0,568 on a Likert scale unit.

d. Regression coefficient of financial management knowledge was $\beta_1 = 0.401$ or $\beta_1 \neq 0$. Thus, Ha1 received, which meant that knowledge of financial management had positive influence on the quality evaluations of LAKIP so that any increase in the area of financial management knowledge by 1 unit scale interval will be followed by the increase amounted to 40.1 LAKIP quality evaluation unit interval scale but assuming the other variables constant.

e. Coefficient of competence Regression was $\beta_2 = 0.107$ or $\beta_2 \neq 0$. Thus, Ha2 received, which meant that competence had to be positive influence on the quality of the evaluation report formed so that each increase of one unit of competency scale interval would be followed by a rise of 10.7 LAKIP quality evaluation unit interval scale but assuming the other variables constant.

f. Coefficient Regression of APIP supervision act was $\beta_3 = 0.408$ or $\beta_3 \neq 0$. Thus, HA3 received, which meant that the APIP supervision act had to be positive influence on the quality of evaluations LAKIP so that any increase in supervision measures APIP by 1 unit scale interval will be followed by a rise in the quality of evaluations LAKIP at 40.8 units' interval scale but assuming the other variables constant.

6. Conclusions and recommendations

Based on the results, it could be concluded that the financial management knowledge, competence, and supervision act of Government Internal Control Officer either jointly or partially, effected on the quality of Government's Performance Accountability report evaluation at BPKP Representative of Aceh Province.

This study had several limitations, as:

1). The instruments used in data collection only in the form of a questionnaire that would cause problems if the respondent's answer was different from the actual situation, especially if it was not completed by the respondents required in this study. This condition, could not be controlled and outside the limits of the researcher.

2). The research instrument in this study was developed by the researcher referred to the library literatures and any other related literatures and questionnaires taken from the previous research, so that it still needs to be improve.

The advice for the next research is in the additional of variables which can influence the quality of the LAKIP evaluation, doing the research at the Inspectorate of Aceh and the Inspectorate of other regencies/cities in Aceh to see the quality of the

auditors on the quality of Government's Performance Accountability report evaluation of local and the regional work units.

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