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Submission date: 29-Sep-2021 11:52AM (UTC+0900)

Submission ID: 1660306919

File name: P_SEger_Tur_ni_tin_R3.docx (48.44K)

Word count: 2317

Character count: 13208

The Influence of Internal Control System and Accountability on Village Financial Performance in The Gending Area of Probolinggo Regency

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Abstract

The study aimed to examine the influence of internal control and accountability systems simultaneously and partially on the financial performance of villages. The type of research that can be used is associative research. The population used is all parties directly involved in the management of village funds allocation in Gending District of Probolinggo Regency consisting of Village Head, Village Secretary, Village Treasurer, Head of Section/Head of Field numbering 41 people. This type of data in the form of primary data is obtained through questionnaires and analyzed with multiple regression analysis. The results showed that the system of internal control and accountability simultaneously had a significant effect on the financial performance of the village and partially also had a significant effect on the financial performance of the village in the Gending Subdistrict of Probolinggo Regency.

Keywords:

Internal Control System, Accountability, Financial Performance

1. Introduction

One of the smallest legal community units that have existed and developed in the history of Indonesian people's lives, the village became an integral part of the order of life of the Indonesian nation. State recognition of the village in order to clarify the function and authority of the village, and strengthen the position of the village and the village community as the subject of development, is realized in the policy of structuring and regulating the village with the issuance of Law No. 6 of 2014 on Villages.

Along with the development of the times and the more advanced technology, it is also increasingly difficult for the Government to manage many regions in Indonesia with the increasing diversity of its people. Therefore, the Laws and Regulations have been explained about giving authority to villages that can now take care of their own households. The regulation has been adapted to the situation and conditions in this modern era to facilitate the work of the Central Government in managing and supervising every region in Indonesia.

The Village Law has placed the village at the cutting edge of development and improvement of community welfare. To manage its potential, the village is given adequate authority and funding resources to improve the welfare and economy of the community. This effort, started more than fifteen years ago, is a form of continuity of decentralization process (Antlöv et al., 2016). More than 74,000 villages in Indonesia are now positioned as the smallest part of government in the scope of regencies in Indonesia, even has become a special and independent area that is within the scope of the district area (Law No. 32 of 2004).

In addition to the authority to run the government, the village apparatus is also equipped with village fund allocation (ADD) is a direct transfer and from the central government. According to Government Regulation of the Republic of Indonesia No. 72 of 2005 on Villages, Village Fund Allocation (ADD) is part of the central and regional financial balance funds received by districts / cities for villages of at least 10% (ten percent), distributed proportionally to villages.

The Central Government has budgeted every year a sizable Village Fund for the Village. In 2015, the Village Fund budgeted at Rp 20,700,000,000,000, with the average each village getting an allocation of Rp 280,000,000. In 2016, the village fund budget increased by Rp 46,980,000,000,000 with an average of Rp 628,000,000 and in 2017 the budget was also increased to Rp 60,000,000,000,000 with an average per village worth Rp 800,000,000. From the results of the evaluation during the three years of implementation, it has been proven that the Village Fund creates facilities / infrastructure that benefit the community, including the construction of more than 95,000 kilometers of village roads; bridge 914,000 meters; clean water connection 22,616 units; boat moorings 2,201 units; PAUD 14,957 units; Polindes 4,004 units; well 19,485 units; village

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market 3,106; drainage and irrigation of 103,405 units; Posyandu 10,964 units; and 1,338 units in the period 2015 – 2016.

Good governance is the implementation of a solid and responsible state government, and efficient and effective by maintaining a constructive synergistic balance between the state domain, the private sector, and society. In the process of managing the allocation of village funds that are good and correct it is expected to improve the quality of the village's financial performance.

One of the villages that get the Village Fund Allocation (ADD) from the Probolinggo Regency Regional Government, namely Gending Subdistrict located in the Western part of the Capital of Probolinggo Regency, is a Village Fund Allocation (ADD) has a considerable role to assess the financial performance of the village in the village. However, the problem of inefficient and effective management of village funds has been in the public spotlight. Cases of misappropriation and corruption of village funds have also been widely raised in the mass media. The weak management of village funds appears to be systematic which is confirmed by the results of a review of a number of evaluation studies of government institutions and Non-Governmental Organizations (NGOs). For example, the Financial and Development Supervision Agency (BPKP) found 15,100 Potential Weaknesses in Village Fund Management Accountability (BPKP, 2015). KPK and FITRA NGO have also released the results of a study on the problems and potential irregularities of village funds (KPK, 2015; Fitra, 2016). Therefore, in the process of lobation of Village Fund Allocation (ADD) must be in accordance with the rules that have been determined so that the village's financial performance is good and there is no misappropriation of funds.

According to Utari et al (2016: 318) "Financial Performance is a management achievement measured from a financial point of view that maximizes the value of the company". The performance of village financial management will determine whether or not the village fund objectives are achieved. Poor financial management performance is characterized by inconsistent and inconsistent record keeping and reporting that has an impact on the difficulty of evaluating the use of funds.

More important is the level of efficiency and effectiveness of village financial management determined by the existing internal control system, the competence of village officials, and accountability in the management of village funds allocation that they have. According to Sujarweni (2015:69) "An Internal Control System is a system created to provide security guarantees for elements in the company". According to the Decree of the Head of the State Staffing Agency No. 46 A of 2003 which states that competence is the ability and characteristics possessed by a civil servant in the form of knowledge, skills, and behavioral attitudes necessary in carrying out their duties professionally, effectively and efficiently, while according to accounting standards the accountability government is responsible for managing resources and implementing policies entrusted to the reporting entities in achieving objectives that have been set periodically. In addition, in the government's efforts in creating a better direction based on good governance.

Improving the quality of village financial governance as a consequence of the realization of the ability of village financial management, village financial system application (Siskeudes) was developed by the Financial and Development Supervision Agency (BPKP) and the Ministry of Home Affairs. Village Financial System application is made simple, easy to operate and equipped with features as needed (BPKP, 2018). Accountability of village fund management as a form of accountability for village funds that have been entrusted as the implementation of the obligations of the village head in order to achieve village goals. Accountability is expected to be able to improve the quality of village government so that village fund management becomes a benchmark for community trust.

Research conducted by Arfiansyah (2020) shows that "The government's internal control system provides adequate confidence in the process of implementing village funds in the management of village funds in accordance with legislation so as to meet the criteria of accountability and good financial performance.". The village government has carried out the principles in internal supervision, both in achieving objectives efficiently and effectively, reporting financial regulations reliably, securing assets and encouraging compliance with laws and regulations. Karyadi (2019) in his research also confirmed that the level of internal control of the Village Head and village consultative agency (BPD) will reduce the occurrence of fraud (embezzlement) and the application of a written code of ethics in government istansi is no exception in the lower government agencies, namely the Village Government, will encourage high morale in accountability for the success and failure of the village government to the Community and Local Government..

The performance of village fund allocation management can be affected by several factors including internal control system and management and village accountability. According to Tuanakotta (2013: 127) "The Internal Control System is management's answer to stringing together known risks, or in other words, to achieve a control objective." This is so that the provision of information about procedures, costs and responsibilities can run in accordance with applicable rules.

2. Method

The type of research used by causal associative quantitative research, based on the philosophy of positivism, for use to examine a particular population or sample, data collected using research instruments, data analysis is quantitative/static (Sugiyono, 2016:8), causal associatives that ask about causal relationships between two or more variables, so there are independent and dependent variables (Sugiyono, 2016:37). Each variable is operational with indicators for the internal control system i.e. environmental control, risk assessment, control activities, information and communication, internal control monitoring. Indicators of accountability are the decision-making stage, the stage of policy socialization. Financial performance indicators include Input Indicator, Output indicator, Outcomes indicator. These variables are measured using the Likert Scale with a range of score values 1 to 5. The sample in this study of the entire population is a party directly involved in the management of Village Fund Allocation in Geuding District of Probolinggo Regency (13 villages), consisting of Village Head, Village Secretary, Village Treasurer, Head of Section/Field numbering 41 people. The data source used is sourced from primary data, obtained from questionnaires. Data analysis includes (1) Data instrument tests through validity tests and reliability tests, (2) Test data analysis requirements through normality, heteroskedasticity, autocorrection, and multicollinearity tests, (3) Multiple regression analysis and hypothesis tests.

3. Results and Discussions

Data Instrument Test

The results of the data instrument test using the validity and reliability of the questionnaire showed the value of r calculated > r table which is above 0.316, and reliability test obtained the results of Cronboach-Alpha values > 0.60. This indicates that all variables are valid and reliable.

Simultaneous Test

This simultaneous test is aimed at proving the influence between the variables of the internal control system and accountability of management together on financial performance, with the following results:

Table 1. Simultaneous Test Results

		ANOVA ^a				
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	94,514	2	47,257	17,312	,000 ^b
	Residual	103,730	38	2,730		
	Total	198,244	40			

a. Dependent Variable: Y

b. Predictors: (Constant), Accountability, Internal Control System

Source: Data processed 2020

Based on table 1, simultaneous test results obtained sig values. 0.000 is smaller than alpha 0.05, proving that more is intended to prove the influence between the variables of the internal control system and the accountability of management together on financial performance.

Partial Test

This partial test is aimed at proving the effect between the variables of the internal control system and the accounting of management in parisa on financial performance, with the following results:

Table 2. Partial Test Results

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17,251	4,327		3,987	,000
	Internal Control System	,655	,143	,550	4,580	,000
	Accountability	,137	,030	,552	4,594	,000

a. Dependent Variable: Financial performance

Source: Data processed 2020

From the partial test results in Table 2 shows 1) Internal Control System Variable (X1) obtained the value t calculated (4,580) with a sig value. = 0.000 < 0.05, this proves that the internal control system variables partially have a significant effect on financial performance. 2) Variable Accountability (X2) value t calculates (4,594) with sig value. = 0.000 < 0.05, this proves that Accountability partially has a significant effect on Financial Performance.

Based on simultaneous testing, it was proven that all independent variables (internal control systems, and accountability) simultaneously had a significant effect on dependent variables i.e. financial performance. So, these variables together greatly affect the financial performance of villages in Gending Subdistrict. The results of this study are supported by the opinion of Karim and Mursalin (2019) that Accounting, transparency and internal control systems have a significant positive effect on Financial Performance in Gorontalo City Revenue. The results of this study suggest to further improve accounting, transparency and internal control systems in financial management so that Financial Performance at the Gorontalo City Revenue Office is further improved.

Based on partial testing, it was proven that the variables of the Internal Investigation system and accountability partially had a significant effect on the financial performance of the village. This is in line with Hanum et al research (2017) that "Internal control system has a significant effect on financial performance in the North Aceh Regency Government Agency and Agency." Also supports the research of Pujiono et al (2016) that the Internal Control System has been carried out by the leadership and head of the finance department SKPD in north Maluku region. Internal control is required to provide and present financial statements in accordance with the laws and regulations on a regular basis, the prevailing regularity will provide effectiveness to financial performance as a mirror of the success that has been done by employees.

4. Conclusion

The conclusion of the results of this study is 1) The Internal Control and Accountability System simultaneously has a significant effect on the Financial Performance of the village in the Gending Subdistrict of Probolinggo Regency; 2) Internal Control and Accountability System partially affects the financial performance of the village in the Gending District of Probolinggo Regency.

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