

Determinant Affecting Performance Of Government Institution

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Abstract:

Background: *This study aims to determine the understanding of the principles of good governance, internal control systems, and organizational commitment to the performance of government institutions in West Jakarta.*

Materials and Methods: *The study was conducted in 34 local work units in West Jakarta. Sampling was selected using the total sampling method. The questionnaire was distributed to 102 respondents, but only 88 respondents filled out the questionnaire. The data analysis method uses Smart PLS 3.00 software.*

Results: *The results of this study are the variable understanding of the principles of good governance and internal control systems have a significant positive effect on the performance of government institutions, while organizational commitment does not affect the performance of government institutions.*

Conclusion: *For the West Jakarta local work unit, it is better to conduct performance evaluations regularly in order to improve performance institution so that it is hoped that the institution can meet public needs through good and optimal performance institution.*

Keywords: *Implementation of the principles of good governance, internal control systems, organizational commitment, the performance of government institution.*

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I. Introduction

Based on the examination report from Audit Board of the Republic of Indonesia for the first time the DKI Jakarta Provincial Government received an Unqualified Opinion on the 2017 Regional Government Financial Report, before the DKI Jakarta Provincial Government received qualified opinions for four times in a row during the 2013, 2014 fiscal year 2015 and 2016. Even so there are still problems discovered by the Audit Board of the Republic of Indonesia in the summary of semester i examination results in 2018, finding 15,773 problems valued at Rp 11.55 trillion in audits during semester I-2018. These problems include weaknesses in the internal control system, non-compliance with statutory provisions valued at Rp 10.06 trillion (<http://www.indonesiamedia.com>, 03/10/2018).

Based on the Performance Report of Government Institution in 2017 seen from the Details of the Assessment and Comparison of Government Institution Performance Accountability Systems. The government in Jakarta received the B title in 2017. Having previously received the B title in 2016 and the CC title in 2016. This shows that accountability for performance is getting better. Evaluation of the Performance System of Government Institutions Performance Accountability of local government work units was carried out to evaluate the Performance Report of Government Institution, despite an increase, there was still a shortage of lack of commitment from the Jakarta government ranks to improve the performance-based management system in its environment (<http://ppid.jakarta.go.id>).

Good public governance can help the government in evaluating and monitoring the government spending in order to increase performance. The local government that has better governance should perform better because their policy and decision is made in order to meet the interest of the public. Keefer and Knack (2007) study the effect of public spending on the economic productivity and they state that the effect of public spending on productivity depends on the quality of government.

More attention is needed to the performance of government institution in order to create transparency and public accountability so that institution can be better and can improve the performance of government institution by giving rise to the application of government officials to the elements of good governance principles including transparency, accountability and participation. Implement good governance, of course the performance of an institution will run well and in accordance with the objectives of the institution. This can be concluded that if the implementation of good governance is improved, it can automatically improve the performance of the institution itself (Rahmatika, 2014). One of the problems that often arises that are directly related to performance is in terms of financial reporting relating to opinions The Opinions on the Provincial Government of DKI Jakarta from 2013 to 2018 are presented in Table 1.1 as follows:

Table 1: Development of Opinion Financial Reporting of DKI Jakarta Provincial Government Year 2013 - 2018

Year	Opinion
2013	Qualified Opinion
2014	Qualified Opinion
2015	Qualified Opinion
2016	Qualified Opinion
2017	Unqualified Opinion
2018	Unqualified Opinion

Source: Summary of Semester Examination Results 2019 (www.bpk.go.id)

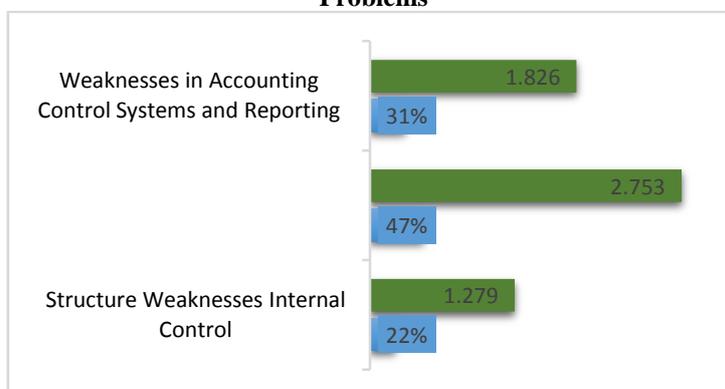
Based on the report of the examination results of Audit Board of the Republic of Indonesia, it can be seen that for the second time the Provincial Government of DKI Jakarta received a unqualified opinion on the local government financial reporting of the DKI Jakarta Provincial Government for the 2017 fiscal year after previously the DKI Jakarta Provincial Government received a qualified opinion for four times in a row during the 2013-2018 fiscal years (<http://www.bpk.go.id>).

Poor governance causes problems such as corruption, collusion and nepotism or monopolistic practices in economic activities that will adversely affect the services provided to the community. Therefore an understanding of the principles of good governance that is owned by employees is needed, with knowledge of all elements of good governance that will support the implementation of transparency, accountability, and active participation that will improve the performance of government institution themselves.

In addition to good governance and internal control systems, organizational commitment also influences the performance of government institution. Organizational commitment is made by all individual components in carrying out organizational operations. This commitment can be realized if individuals in the organization, carry out their rights and obligations in accordance with their respective duties and functions in the organization, because the achievement of organizational goals is the work of all members of the organization that are collective.

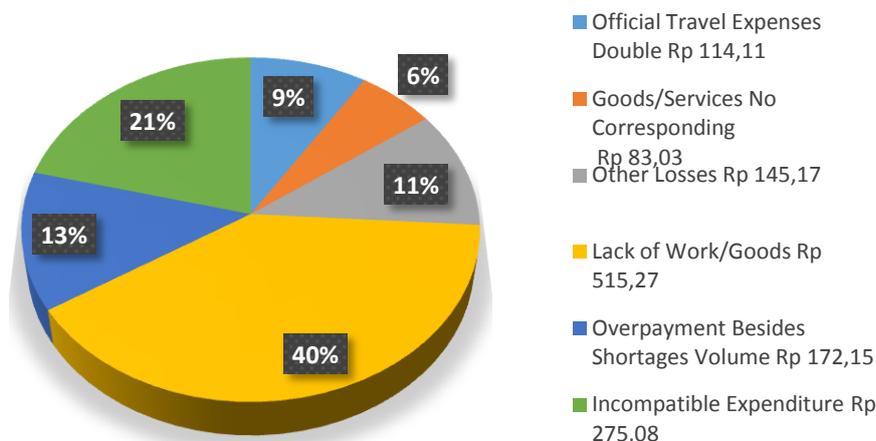
Even so, there are still shortcomings, namely by the discovery of problems by the examination results of Audit Board of the Republic of Indonesia. Findings that influence the opinion of the 2018 local government financial reporting presented in figure 1 an 2 below:

Figure 1: Graphic Composition of Weaknesses in Internal Control Systems, with a Total of 5,858 Problems



Source: Summary of Semester Examination Results 2019 (www.bpk.go.id)

Figure 2: Graphic Problems of Non-compliance with Laws and Regulations with a Total Loss of Rp 1.30 Trillion



Source: Summary of Semester Examination Results 2019 (www.bpk.go.id)

Regional financial accounting system is one of the organizational subsystems that facilitates control by reporting on government performance area. The scope of the financial accounting system areas include accounting system policies, accounting system procedures, human resources, and information technology. Local government need stake an approach that puts the system like in the front lines, and consider it well human related systems and factors while managing accounting information system. Local governments must focus on critical factors if they are to reach information high quality accounting. Failure to do so has a negative impact on the process organizational finance. Poor quality of information can result in losses on retrieval decisions (Clikeman, 1999).

Organizational commitment is the level where someone positions himself on the organization and the willingness to continue achieving efforts the interests of the organization. Individuals who have a low commitment to the organization often just waiting for a good opportunity to quit their jobs (Noe, 2000).

Research Gap

It can be said that good governance is an organization's solid and responsible management of development in line with principles of democracy and efficient markets, avoidance of misallocation of funds investment and prevention of corruption both politically and administratively, run budget discipline and create legal political frame work for the growth of the usher's activity, even though so far the bureaucracy in the regions was considered not competent. In such conditions, local government is always in doubt its capacity to carry out decentralization. Qualitative characteristics of the report finance is normative measures that need to be realized in information accounting so that it can fulfill its purpose.

Internal Control Systems. Local governments must design, operate and maintain a good Internal Control System to produce reliable financial information. By optimizing the Internal Control System to overcome the problem of poor quality of local governments (district) financial reporting from the internal side. Weaknesses of internal control systems in overseeing accounting information will affect errors in financial reporting, internal control systems are needed to oversee accounting systems that can produce financial reporting quality (Indriasih and Koeswayo, 2014). It can be concluded based on the above opinion that internal control is a process that is influenced by the internal management to provide reasonable assurance of the effectiveness and efficiency of organization/ company operations, including assurance that the financial report have been prepared in accordance with the applicable rules and compliance to other rules (Johnstone, et al, 2012).

According to Hahn, et al. (1992), one method to improve information processing is increase the level of member involvement. Form member involvement is higher in the organization, one alternative is to improve their organizational commitment. People with commitment who are willing to take the time to process information according to description of Schick et al. (1990). Organizational commitment is considered reflect the relative strength of identification individuals and involvement in the organization. Organizational commitment shows a power of someone in identifying involvement in an organization (Mowday, et al, 1979).

Commitment organization is built on trust workers on organizational values, worker willingness help realize organizational goals and loyalty to remain a member of the organization. By therefore, organizational

commitment will result sense of belonging for worker towards the organization. If the worker feels his soul bound to existing organizational values then he will feel happy at work, so have inner responsibility and awareness run the organization and be motivated to report all activities by carrying out accountability to the public voluntarily including accountability its finances through financial statements. Based on various technicians regarding commitment to organization then it can be concluded that commitment towards organizations reflecting three main dimensions, that is, commitment is seen as reflecting orientation affective towards the organization, consideration of losses if leaving the organization, and the moral burden to continue in organizations (Meyer and Allen, 1997).

II. Literature Review

Agency Theory

This research rejects agency theory because the application of government accounting standards does not support the quality of financial reporting. In theory the agency states that the delegation of relationships in which the local government has the responsibility to present the quality of financial reporting, due to lack of clarity and understanding of Government Accounting Standards No. 71 year 2010 at present, there are still problems in a weak internal control system, non-compliance with legal provisions and not in accordance with the recording of financial reporting, so the results of financial reporting are not quality. Given that the explanation of the quality of financial reporting seen from the information presented can influence user decision making (relevant), help in evaluating past events and predict the future, information presents facts truthfully, can be verified (reliably), can be compared with the previous period's financial reporting and can be understood. This is an important element in the quality of local government financial reporting as a basis for decision making.

In agency theory, Jensen and Meckling (1976) define agency relationships as a contract in which one or more (principals) rent other people (agents) to do some services for their benefit with delegate some decision-making authority to the agent. Conflicts of interest will arise and delegation of tasks assigned to the agent where the agent is not in the interest of maximizing the principal's welfare, but have a tendency to be selfish at the expense owner's interests.

Performance of Government Institution

According to LAN and BPKP (2000) performance accountability is an obligation to provide accountability or answer and explain the performance and actions of a person / legal entity / leadership of an organization to parties who have the right or authority to request information or accountability. Carmo (1991) states that performance accountability is an evolution of the activities carried out by a good officer still on the path of authority and is far beyond responsibility and authority. The performance of government Institution is determined by how much the level of achievement of a government institution that has carried out activities or programs or policies in accordance with and objectives. In this case the institution goals, objectives, vision and mission are only oriented to the public interest.

Good Governance

Good governance is a prioritized design approach to public sector development from good government. A country with a government bureaucracy required to change the pattern of service from bureaucratic ethical to populist bureaucracy. Good governance focuses on the actions, facts or behavior of the Government redirecting or regulating or influencing public problems in a country (Jimung, 2015). Good Corporate Governance is a form of acceptance of the importance of a set of rules or good governance to regulate the relationships, functions, and interests of various parties in business affairs. The application of good corporate governance that is implemented well in an organization, will produce performance in accordance with the expectations of the organization. So the organization can create added value and achieve the goals of the organization (Mardiasmo, 2004).

Internal Control System

Based on the Government Regulation of the Republic of Indonesia No. 60 year 2008 regarding the internal control system the government explains that the internal control system is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective activities and efficient, reliable financial reporting, securing state assets, and compliance with laws and regulations. It can be concluded based on the above opinion that internal control is a process that is influenced by internal management to provide a reasonable guarantee of the effectiveness and efficiency of the organization / institution / company's operations, including certainty that the financial statements have been prepared in accordance with applicable regulations and compliance with other rules to improve performance institution (Jhonstoner, et all, 2012). The information contained in the

institution government financial report must be useful and appropriate for the needs of stakeholders, free from misstatements of information that can mislead users of financial report (Hari, 2013; Nurlis, 2018).

Organizational Commitment

According to Mowday et al (1982) organizational commitment is more than just passive loyalty from an employee, but organizational commitment also involves active relationships and an employee's desire to contribute more to the organization. By implementing organizational commitment to government institutions, it will determine the performance to be achieved by the institution. Highly committed employees will make every effort to achieve the goals of the institution. If the Institution's goals are achieved, the Institution's performance will be better. High organizational commitment will also increase high performance, there is a positive and significant effect on organizational commitment to the Performance of Government Institution. Based on the descriptions above can be described the following framework of thought:

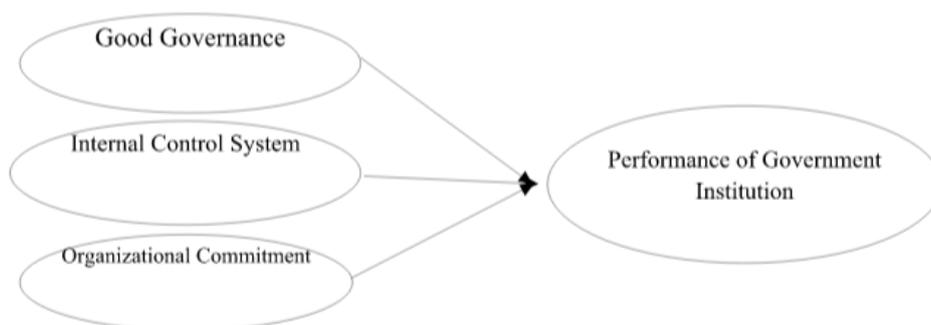


Figure 1 F Research Paradigm

III. Methodology

The research design used in this study is a quantitative method approach that explains causal relationships. This research uses census method. Census means examining all elements of the population. The population in this study is all West Jakarta Local Administration which consists of 34 Local Work Units. Respondents in this study were people involved in reporting finance consisting of: Head of Finance, and Staff of Finance. Thus the amount 88 respondents. In this research uses primary data sources because of data obtained from answers to questionnaires distributed to research respondents. The data analysis method in this study uses Component or Variance Based Structural Equation Modeling where data processing uses Partial Least Square (Smart-PLS) version 3.0.

IV. Result and Discussion

Descriptive Statistics Test Results

Table 1. Descriptive Statistics Test

Variabel	Mean	Standar Deviation	N
Good Governance	3,203	0,762	88
Internal Control System	3,284	0,602	88
Organizational Commitment	3,435	0,547	88
Performance of Government Institution	3,392	0,559	88

Source: From Data Processing (2019)

**Partial Least Square
Evaluate Measurement (Outer) Models**

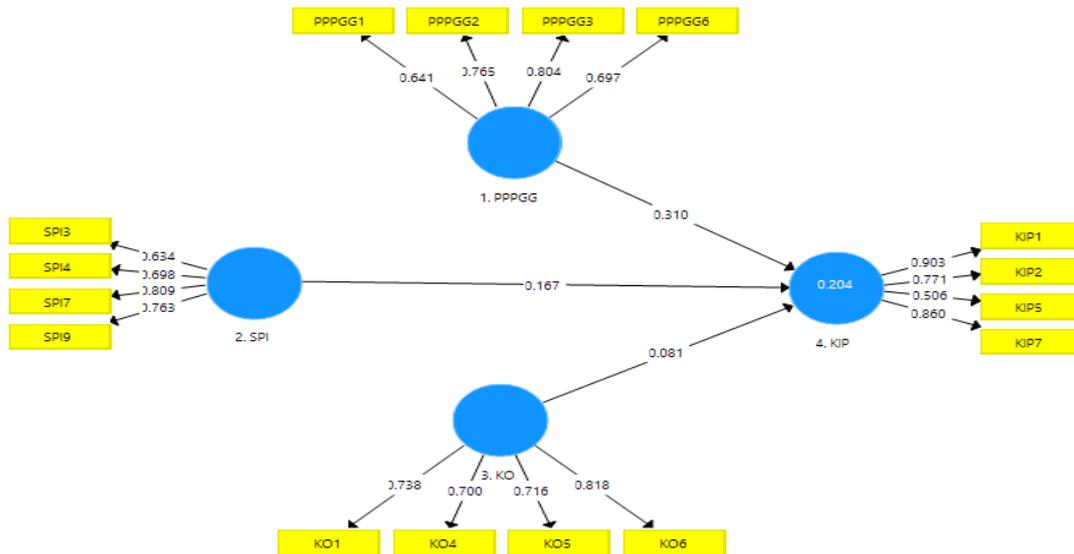


Figure 2. Convergent Validity
Source: From Data Processing (2019)

Based on the picture above, the results of the measurement model have met the convergent validity because all loading factors are above 0.50.

Table 2. Discriminant Validity

Variabel	Average Variance Extracted (AVE)
Good Governance	0,532
Internal Control System	0,531
Organizational Commitment	0,554
Performance of Government Institution	0,602

Source: From Data Processing (2019)

AVE output results show that the AVE value for the construct of Good Governance Principles, Internal Control Systems and Government Institution Performance has a AVE value greater than 0.50 then all variables meet the validity and reliability requirements.

Table 3. Composite Reliability and Cronbach's Alpha

Variabel	Cronbach's Alpha	Composite Reliability
Good Governance	0,706	0,819
Internal Control System	0,710	0,818
Organizational Commitment	0,739	0,832
Performance of Government Institution	0,757	0,853

Source: From Data Processing (2019)

The construct is declared to be reliable if it has composite reliability values above 0.70 and Cronbach's alpha above 0.60. From the results of SmartPLS output above all constructs have composite reliability values above 0.70 and Cronbach's alpha above 0.60. So it can be concluded that the construct has good reliability.

Structural Model Testing (Inner Model)

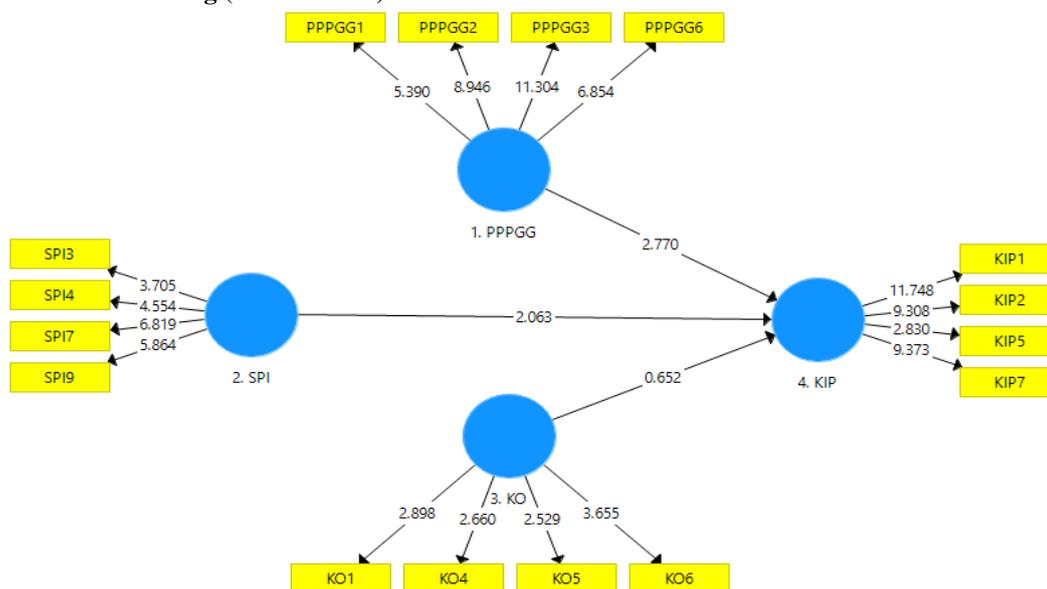


Figure 3 Display of PLS Bootstrapping Results
Source: From Data Processing (2019)

Table 4. Goodness-fit Model

	R-Square	Adjusted R-Square
Performance of Government Institution	0,341	0,317

Source: From Data Processing (2019)

Table. 5 Path Coefficient (Mean, STDEV, t-statistic)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Good Governance->Performance of Government Institution	0,310	0,321	0,112	2,770	0,006
Internal Control System->Performance of Government Institution	0,167	0,176	0,081	2,063	0,040
Organizational Commitment->Performance of Government Institution	0,081	0,126	0,124	0,652	0,515

Source: From Data Processing (2019)

The first test has an influence on the performance of government Institution. The test results show that the Understanding of Good Governance on the Performance of Government Institution is a positive influence as indicated by the original sample estimate value of 0.310 and significantly indicated by the t-statistic value of 3.030 (more than 1.960) and the p value of 0.003 (less from 0.05). it can be concluded that the application of high good governance principles can improve performance, because if the principles of good governance are applied well then the performance of government institution will be good too, it is hoped that a better decision-making process will be created, improving efficiency and improving public services so as to achieve institution goals that will improve the performance of local government institution better and optimal. This research supports Handi and Bambang (2016) the performance of a local government will be better if it supports the understanding of good governance.

The second hypothesis testing the results of the internal control system on the performance of government institution is a positive influence as indicated by the original sample estimate value of 0.167 and significantly indicated by the t-statistic value of 2.011 (more than 1.96) and at the p value of 0.045 (less than 0.05). an be concluded below by the implementation of the Internal Control System shows that the Institution has carried out an optimal, effective and efficient activity process that makes the institution can achieve the goal

of improving services oriented to the public interest in order to improve the performance of government Institution. This research supports Kewo (2014), the purpose of management control systems in the public sector is essentially inseparable from efforts to improve management performance and improve internal accountability that have an impact on society (Jones and Pendlebury, 2000; Mardiasmo, 2004).

The third hypothesis testing is intended to see the effect of organizational commitment on the performance of local government institutions a positive effect indicated by the original sample estimate value of 0.081 and not significantly indicated by the t-statistic value of 0.618 (smaller than 1.960) and at a p value of 0.537 (greater than 0.05). It can be concluded that organizational commitment is a commitment created by all individual components in carrying out an organization's operations. This insignificance is due to the lack of willingness of the government officials to work hard in this case, not all employees have high commitment. Because committed employees will make every effort to achieve the goals of institutions oriented to the public interest. If the institution goals are achieved, it increases the performance of high government institution. This is supported by the findings of research results from Meyer et al. (1989), Cohen (1999), Mowday et al. (1994) which concluded that organizational commitment has a positive and significant effect on performance institution.

V. Conclusion and Recommendation

Conclusion

Based on the data that has been collected and tests that have been carried out, it can be concluded that the implementation of good governance has a positive and significant effect on the performance of government institution. Understanding the principles of good governance that can improve performance, because the apparatus' knowledge of all elements of good governance will support the implementation of transparency, accountability, and active participation that will have a positive impact on the performance of government institution. The internal control system has a positive and significant effect on the performance of government institution. The implementation of the internal control system shows that the institution has carried out an optimal, effective and efficient process of activity that makes the institution able to achieve its objectives in order to improve the performance of government institution and organizational commitment does not have a significant influence on the performance of government institution. The insignificance is due to the desire of government officials to work hard in this case, not all employees have high commitment. Because committed employees will make every effort to achieve institution goals. If the institution goals are achieved, it increases the performance of high government institution.

Recommendation

For the Local Apparatus Work Unit, it is better to conduct performance evaluations routinely in the context of achieving goals in order to improve the performance of government institution.. So that the institution is expected to achieve its goals to meet public needs through the performance of good and optimal government institution. For further researchers to add a sample size and conduct interview techniques to financial officers in local government and add other variables such as, the quality of financial reports, compliance with laws and regulations.

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