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Factors affecting implementation of good government governance (GGG) and their implications towards performance accountability

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Abstract

The study was intended to examine several key issues, i.e. the influence of the competence of local government apparatus and the professionalism of the governmental internal controlling apparatus towards the implementation of Good Government Governance (GGG) and the influence of the implementation of GGG to the local government accountability performance. This study applied explanatory research using questionnaires as the primary data and the Reports of the Evaluation on Accountability Performance in The Unit of Local Infrastructure of Riau Province as the secondary data. The sampling technique used was proportionate stratified cluster random sampling. The samples obtained in this study were 57 Local Government Unit Agencies. Our results show that the implementation of the competence of local government apparatus and the professionalism of the governmental internal controlling apparatus have significantly affect to the implementation of GGG and the application of GGG have significantly affect to the local government accountability performance.

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1. Introduction

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Establishing good governance requires long periods and constant efforts. In addition, it also requires commitment and considerable optimism of the whole components of the nation involving three pillars of the nation namely the government apparatus, the private sectors, and the people in order to nurture solidarity to achieve good governance.

However, achieving good governance poses daunting challenges. The challenges mainly lie in the issues of corruption, collusion, and nepotism in the government's conducts reflected in their business ethics and public services during a long period of time. Furthermore, a study conducted by *Political and Economic Risk Consultancy (PERC)* in two years, from 2008 to 2010, attested that the rank of corruption in Indonesia elevated from the score of 7,98 (in the scale of 10) in 2008 to the score of 8.32 in 2009 and finally reaching the score of 9.07 in 2010. Such significant increase is devastating compared to 16 other Asia Pacific countries. Indonesia came third in 2008 and came first in 2009 and 2010. Moreover, the study pointed out that the corruption issue is closely related to bureaucracy and it indicates that the bureaucracy in Indonesia is the worst. Such poor conducts of bureaucracy result from poorly executed accountability. Therefore, the implementation of good governance needs to be improved.

In relation to the practice of corruption in local government in Indonesia, *Transparency International Indonesia (TII)* conducted a survey in 2010 to investigate the issue in public sectors. The survey results placed Pekanbaru and Cirebon as top cities with the highest corruption in conducting its public services out of 50 major cities in Indonesia

In relation to improving the governance, the reformation which has taken place for quite some time has somewhat asserted some sort of influence to public administration, which is there has been attempts to restore the functions of the government apparatus to provide public services. The main problem that the government needs to deal with is the low availability of qualified local government apparatus. Such phenomenon has been a major issue in running the local governance in Indonesia (Enceng, *et al.*, 2008)

The governmental internal controlling apparatus has the responsibility to conduct a review on the financial report prior to submission to The Supreme Audit Agency (BPK)¹ for further audit, such a review has not completely enhanced the quality of the government financial report. It is evident from the high number of government financial reports not only in the ministry levels but also in the local levels that receive an opinion of disclaimer from The Supreme Audit Agency (Wahyudi, 2010).

The governmental internal controlling apparatus (APIP)² plays a role in supervising the implementation of the Government Internal Control System and the accomplishment of the objectives of national development (Budiono, 2010). In 2009, Supreme Audit Agency discovered fictitious official travel documents in six agencies or working units (SKPD)³ with the amount of 2.4 billion IDR. The six official travel documents embedded with the fictitious official travel documents were Riau legislative council secretariat, the local secretariat of Riau province, the office of regional revenue, the office of sports and youth affairs, the office of public works service, and Riau library and archive commission (Utusan Riau, 2011).

Furthermore, thousands of Supreme Audit Agency findings have not been followed through by numerous local agencies both in the scope of Riau provincial government and the regency government as well as the municipal government throughout Riau. Such findings in which no further actions were taken was the supervision results of the local government in Riau in semester I in 2010. There were 4.609 recommendations, among which 2.445 or 53.05% of them were realised thoroughly. However, 984 recommendations or 21.35% were followed through but not entirely in accordance with the recommendations. Furthermore, 1.180 or 25.60% were not followed through. As a result the inspectorate addressed letters to all of the regents throughout Riau (BPK, 2010).

2. Literature review and hypothesis

¹ BPK is a state agency that is free and independent in examining the management and financial responsibility of the state, located in the state capital and has representatives in every province.

² APIP is a civil servant who gets the task of making a structured and systematic monitoring of all devices implementing the APIP in which the government is located.

³ SKPD is the local government (provincial and district / city) in Indonesia. On education is implementing executive function should coordinate so that governance goes well.

2.1. Government governance theories

The governance theory was proposed by Stoker (1998). He stated that, “Governance refers to the development of governing styles in which boundaries between and within public and private sectors have become blurred. The essence of governance is its focus on mechanisms that do not rest on recourse to the authority and sanctions of government..., Governance for (some) is about the potential for contracting, franchising and new forms of regulation. In short, it is about what (some) refer to as the new public management. However, governance ...is more than a new set of managerial tools. It is also about more than achieving greater efficiency in the production of public services (1998, p. 17-18).”

2.2 The Competencies of local government apparatus

Competencies which is a person who has knowledge and ethics in working (Cheng *et al.*, 2002). In addition, Nur Afiah (2004) undertook a study with the objective to examine the relationship between the competence of local government apparatus and good governance. The study revealed that the competence of the members of the House of Representative, the competence of the local government apparatus, the execution of accounting information system, budgeting, and the quality of financial information simultaneously and partially affect the principles of good governance. Leung *et al.* (2009) studied the role of internal audit in corporate governance and management. The study recommended that in order to enhance the roles of internal audit in corporate governance, the company has to focus on the competence of internal auditor in providing assurance towards the management and integrity committee in the form of information.

2.3. The Professionalism of the governmental internal controlling apparatus

Kalbers & Fogarty (1995) used the dimensions of professionalism proposed by Hall which are further defined as follows:

- a. Dedication to profession, reflected through professional dedication realised by utilizing knowledge and skills.
- b. Social obligation, related to the perception on the importance of professional roles and social and professional benefits offered by the profession.
- c. Autonomy demand, related to a view that a professional has to be able to make decisions without pressure from any parties.
- d. A belief in self-regulation, related to the faith that colleagues have the authority in evaluating professional work.
- e. Community affiliation, related to the importance of profession association including formal organization and informal colleague groups as sources of ideas for work.

Kalbers dan Fogarty (1995) conducted a study relating the professionalism of internal auditor and performance. The results of the study attested that only two dimensions of professionalism of internal auditor positively correlated to performance, which are community affiliation and autonomy demands.

2.4. Good Government Governance (GGG)

Good governance is often perceived as a good leadership. The Organisation for Economic Co-operation and Development (OECD) claims that the criteria of good governance comprises of fairness, transparency, accountability, responsibility (Agoes, 2004). This study adopts three central pillars of good governance in accordance to three criteria set by the Supreme Audit Agency (2004), namely transparency, accountability, and participation.

Kurtz and Schrank (2007) conducted a study on *Growth and Governance: Models, Measures, and Mechanisms*. This study connects good governance, the quality of the government apparatus, and economic development. The

result of the study demonstrated that the dominating actions taken by problematic government result in perception bias; the confusion in deciding economic policies.

Sarilena (2004) undertook a study to investigate good governance government in Indonesia particularly in the City Audit Agency in West Java. The study concluded that the professionalism of the City Audit Agency apparatus consisting of competence, independence, due professional care, and confidentiality had positive and significant influence towards the implementation of good governance in West Java both simultaneously and partially.

2.5. Performance accountability of local government institution

Cooper and Ijiri (1984:7) defines accountability as:

1. The obligation of an employee, agent, or other person to supply a satisfactory report, often periodic, of action or of failure to act following delegated authority.
2. Hence (governmental accounting) the designation of the account or amount of a disbursing officer's liability.
3. The measure of responsibility or liability to another, expressed in term of money, units of property, or other predetermined basis.
4. The obligation of evidencing good management, control or other performance imposed by law, regulation, agreement or custom.

The performance accountability of a government institution is measured using indicators from evaluation report of a working unit performance accountability issued by Riau Province Inspectorate. Accountability evaluation of a working unit performance consists of the evaluation of the implementation of performance management components including performance planning, performance measurement, performance report, performance monitoring and evaluation, and performance accomplishments that covers achieving the organisation's goals and objectives.

The relationship between the competence of the apparatus and performance accountability was investigated by Ali (2002). The study pinpointed that public service and administration have undergone a crisis under globalization, therefore, professional competencies and ethics are required to boost the performance accountability of the apparatus.

In the same vein, Soetjipto (2005) investigated the local government apparatus perception related to public accountability. The results of the study demonstrated the role internal auditor, the perception of the head of the local government, and the implementation of government accounting system affect public accountability.

Based on the literature review, previous studies and frameworks, this study formulates the following hypotheses:

- (1) The competencies of the local government apparatus and professionalism of the governmental internal controlling apparatus influences to the implementation of GGG
- (2) The competencies of the local government apparatus, professionalism of the governmental internal controlling apparatus and the implementation GGG influences to performance accountability.

3. Research method

3.1. Research design

The purpose of this study is to test hypotheses. This study is a causal study and was conducted in the unit of local infrastructure of Riau Province. The unit of analysis of this study was the local apparatus working unit of the regency in the province of Riau. This study adopts one shot study or cross sectional study which is a study conducted in which the data was collected in one take in a period of one year (2010) in the attempt to address the research problems.

3.2. Variable operations

In operationalising the variables, each variable is provided with its operational definition. In this study, there are two variables, namely:

1. Exogenous variables consisting of:
 - a. The competence of the local government apparatus (X_1). The competence dimension includes four components (Cheng *et al.*, 2002), namely functional expertise, broad sector perspective, leadership qualities, and personal attributes. The components were further developed into knowledge ($X_{1.1}$), experience ($X_{1.2}$), leadership quality in the forms of subjective ethics and objective ethics ($X_{1.3}$), and skills ($X_{1.4}$) (Nur Afiah, 2004).
 - b. Professionalism of the Governmental Internal Controlling Apparatus (X_2). The professionalism of the governmental internal controlling apparatus is measured by using the instrument designed by Kalbers and Fogarty (1995) consisting of dedication, social obligation, autonomy demand, self-regulation, and community affiliation.
2. Endogenous variable comprises of the implementation of GGG (Y) and the performance accountability of the working units in the local government agencies (Z). The implementation of GGG is measured by means of the instrument from the Development and Finance Surveillance Agency (2000) further developed by Nur Afiah (2004). The performance accountability of the working units in the local government agencies was measured by an instrument designed by the province inspectorate in the form of evaluation reports on the performance accountability system of the working units in the local agencies in Riau province in 2010

3.3. Population and sample

The target population in this study was all of the government agencies of the city/regency of Riau province evaluated by the Riau province local inspectorate in 2010. Based on the data, there were 115 working units in 2010, consisting of 37 working units (in Riau province and 78 in the city/regency, consisting of 31 working unit in the main regions 47 working units in regional divisions.

This study applies cluster sampling. The minimum sample of this study was 54 working units, in which further proportionally divided into 17 working units in the province, and 37 working units in both main regency areas and regional divisions.

4. Findings and discussions

4.1 Structural model testing

All of the variables had AVE scores higher than 0.5. Such result demonstrated that the information contained in all of the indicators of manifest variables was represented in the latent variables. The composite reliability of the indicators of the latent variable, such results were higher than the recommended score as much as 0.7 which means that the indicators had high consistency.

Table 1. The Average Variance Extracted (AVE) scores of latent variables

Variable	AVE	Composite Reliability
The local government apparatus competence (ξ_2)	0.627569	0.869317
Professionalism of the government internal controlling apparatus (ξ_3)	0.527658	0.846690
Good Government Governance (η_1)	0.671958	0.858712
Performance accountability (η_2)	1.000000	1.000000

4.2. Hypothesis testing

4.2.1 *The influence of the competence of the local government apparatus and professionalism of the governmental internal controlling apparatus to the implementation of GGG.*

Table 2. The significance of the competence of the local government apparatus and professionalism of the governmental internal controlling apparatus to the implementation of GGG

Variable	Path coefficient	Direct influence	Indirect influence	Total
The competence of the local government apparatus	0.394	15.5%	0.9%	16.4%
Professionalism of the government internal controlling apparatus	0.464	21.5%	0.9%	22.4%
The total of the simultaneous influence =				38.8%

Source: the data was reprocessed

The competence of the local government apparatus and professionalism of the governmental internal controlling apparatus significantly and simultaneously influenced the implementation of GGG as much as 38.8%. Meanwhile, the remaining 61.2% influence was resulted from other factors which were out of the scope of this study. Between the two exogenous variables, professionalism of the government internal controlling apparatus contributed the highest influence as much as 22.4% to the implementation of GGG.

The competence of the local government apparatus directly contributed 15.5% to the implementation of GGG. Professionalism of the governmental internal controlling apparatus attributed 0.9% indirect influence. Furthermore, the competence of the local government apparatus simultaneously contributed 16.4% influence in enhancing the implementation of GGG. Such results support the studies of Cornforth *et al.* (1998) and Nur Afiah (2004) claiming that the competence of the local government apparatus influences the implementation of GGG.

Moreover, professionalism of the governmental internal controlling apparatus directly influenced the implementation of GGG as much as 21.5%. In addition, the competence of the local government apparatus also indirectly influenced the implementation of GGG as much as 0.9%. Professionalism of the government internal controlling apparatus also simultaneously contributed 22.4% influence in enhancing the implementation of GGG. Such results support the studies conducted by Leung *et al.* (2009) and Sarilena (2004) stating that professionalism of the government internal controlling apparatus influenced the implementation of GGG.

4.2.2 The influence of the competence of the local government apparatus, Professionalism of the governmental internal controlling apparatus, and the implementation of GGG to performance accountability

Table 3. The significance of the competence of the local government apparatus Professionalism of the governmental internal controlling apparatus, and the implementation of GGG to performance accountability

Variable	Path coefficient	Direct influence	Indirect influence	Total
The apparatus competence	0.247	6.1%	4.4%	10.5%
Professionalism of the governmental internal controlling apparatus	0.381	14.5%	7.1%	21.6%
The implementation of GGG	0.391	15.3%	10.7%	26.0%
The total of the simultaneous influence =				58.1%

Source: the data was reprocessed

As presented in the table, the competence of the local government apparatus, Professionalism of the governmental internal controlling apparatus, and the implementation of GGG attributed simultaneously significant influence to performance accountability as much as 58.1%. Meanwhile, the remaining 41.9% influence was resulted from other factors which were out of the scope of this study. Among the three exogenous variables, the implementation of GGG contributed the highest influence of 26 % to performance accountability.

Moreover, the competence of the local government apparatus directly contributed 6.1% to performance accountability. In addition, Professionalism of the governmental internal controlling apparatus and the implementation of GGG indirectly influenced performance accountability as much as 4.4%. In further details, the competence of the local government apparatus simultaneously contributed 10.5% to the enhancement of performance accountability. Such results support a study conducted by Ali (2002), claiming that the competence of the local government apparatus influences performance accountability.

Furthermore, Professionalism of the governmental internal controlling apparatus directly influenced the implementation of performance accountability as much as 14.5%. In addition, the competence of the local government apparatus and the implementation of GGG indirectly influenced the implementation of performance accountability as much as 7.1%. Professionalism of the governmental internal controlling apparatus also simultaneously contributed 21.6% in improving performance accountability. Such results are in accordance to a

study carried out by Sadeli (2005) stating that Professionalism of the governmental internal controlling apparatus influenced performance accountability.

5. Conclusion and suggestion

5.1 Conclusion

Based on the findings and discussions, the following conclusions can be drawn:

1. With 5% significance level, it can be concluded that the competence of the local government apparatus and Professionalism of the governmental internal controlling apparatus positively influenced the implementation of GGG.
2. With 5% significance level, it can be concluded that the competence of the local government apparatus, Professionalism of the governmental internal controlling apparatus, and the implementation of GGG positively influenced performance accountability.

5.2 Limitation of the study

Based on the results of the study, there are several drawbacks of this study:

1. This study is a case study intended to explain a phenomenon in Riau province, therefore the results cannot be generalized unless to any province with similar characteristics. In addition, a resembling study with the same research pattern and instrument need to be conducted in different provinces to show reliable evidence on the improvement of accountability in such provinces.
2. The considerable ε (error) towards GGG as much as 61.2% indicated the limitation of the observed variable in the model in this study. Good governance in macro scope in the forms of regulations and acts can be added.

5.3. Suggestions for academics

Further studies on good governance need to be conducted related to other factors in addition to the competence of the local government apparatus and Professionalism of the governmental internal controlling apparatus such as the government accounting system, the professionalism of the government's external auditor, regulations, and so forth. Furthermore, this study can provide a direct input to the local government in order to improve governance in Indonesia.

5.4. Suggestions for the local government apparatus

In order to run better practices in public sector audit, several measures can be taken:

1. The heads of the working units need to recognise the importance of knowledge, experience, and skills in the technical areas of public sector accounting. Thus, they are able to achieve particular competencies in accordance to their needs, considering that the overall observed working units demonstrated poor level of knowledge, experience, and skills.
2. In order to achieve good governance, the local government apparatuses are required to be more sensitively concerned on the society's problems, the improvement of the performance of the apparatuses themselves by means of higher levels of education and skills and establishing the standards of ethics and the behaviour of the apparatuses themselves. The implementation of ethics to the local government apparatuses will improve the level of honesty, rationality, courage, sense of responsibility to the quality of the decision/policy to others' lives.

5.5. Suggestions for the governmental internal controlling apparatus

The following suggestions are recommended to the governmental internal controlling apparatus in order to accomplish good governance:

1. Inspectorate supervision should further emphasize on the outcome of the executed programs to better learn the benefits of such programs.
2. Evaluation should be stressed on the assessment of the leader's actions in executing internal controlling.
3. Internal supervisors need to synergize among themselves in performing supervision.
4. The governmental internal controlling apparatus need to address input to the head of the local government agencies at least every 3 months in order to accomplish better improvements and better follow-ups in real time.

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