
The Application of Governance and Internal Government Controlling System on the Local Government Performance

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Abstract:

Purpose: *This study aims to examine the effect of application governance and intern government controlling system on local government performance. In addition, this study can provide empirical evidence regarding the role of implementing governance and government internal control systems on local government performance.*

Design/Methodology/Approach: *The study approach uses quantitative methods, multiple linear regression, non-probability sampling techniques using purposive sampling methods, secondary data.*

Findings: *Through the method that has been done, the conclusion that can be drawn from this research is that the implementation of governance has a positive influence on the performance of local governments. While the government's internal controlling system does not have a positive effect on the performance of local governments.*

Practical Implications: *Provide empirical evidence regarding the implementation of governance and government's internal controlling systems that has an influence on local government performance. Although the government's internal controlling system can also be considered as a part of good governance, in its testing it showed no effect on the performance of local governments. The results of this study open up opportunities to look at the components of governance and can be considered for evaluation to further improve the implementation of better local government governance.*

Originality value: *The application of governance in a government environment in developing countries.*

Keywords: *Local government performance, implementation of governance, government internal control system.*

Paper Type: *Quantitative descriptive.*

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1. Introduction

Governance is a guideline used as the basis for good governance. Good governance cannot be separated from the basic principles of good governance namely: Transparency, Accountability, Responsibility, Independence, and Justice (Novianti, 2015). Efforts to build good governance in Indonesia are not something new.

Starting from reform and attempt at changing a closed government to an open government, the Government of the Republic of Indonesia has expanded the scope of work of the Komite Nasional Kebijakan Governance (KNKG) by including Public Governance issues as stipulated in the Decree of the Coordinating Minister for the Economy of the Republic of Indonesia No: KEP-49/M.EKON/11/TAHUN 2004 concerning the Komite Nasional Kebijakan Governance (KNKG). Those changes are the efforts of transformations done in Indonesia.

Issues regarding the mechanism of government performances have now been a concern to the public since it has not displayed any satisfying achievement (Perwirasari, 2016). The changes in social, political, and economic system together with things happen in the society nowadays, have created an increasing public demand towards good government governance. MPR-RI Decree Number VI/2001 instructs the President to embody the values of an Indonesian bureaucracy that is transparent, accountable, clean and responsible, and can serve as a public service and role model for the community.

This shows that governance is something important. Various acts of fraud which then lead to the practice of corruption, collusion, and nepotism (KKN) are challenges for the government in terms of realizing good governance. As an example of evidence that the government has not reached the good governance demonstrated by the results of Transparency International Indonesia (TII) survey in the year 2017.

The report said that there were corrupt practices in the sector of the public in terms of services. It put Medan, one of big cities in Indonesia, with 37.4 points. This conveyed the fact that the commitment of local government in combating corruption in Medan was still very poor as the city posted at the lowest position on the corruption perception index (Suyatmiko and Ratnaningtyas, 2017).

The implementation of governance in local governments has also not been fully run in accordance with the principles set, in which resulted the performance of local governments not achieving maximum results. Purnomo *et al.* (2007) said that since the inauguration of Regional Autonomy based on Law no. 22 of 1999 on Regional Government, there has been a tendency for corruption in local governments increased in 2001.

In addition, reality told us that the purpose of regional autonomy still cannot be realized optimally in some local governments in Indonesia. This was showed by the

big number of demonstrations held by the students, labors, and others for demanding better local government governance (Pratolo, 2008). To overcome the problems, there is a need for improved governance which will escalate the local government performances (Rahadi *et al.*, 2019).

The agency relationship formed between people and their local government requires the local governments to show performances that lead to the interests of the community represented. The fact is there commonly found many misconducts upon these expected performances. Based on data from the annual report in the corruption perception index in 2016, conducted in 176 countries showed that Indonesia was ranked 90 with a score of 37. This shows that Indonesia has not maximized in conducting the bureaucratic reform, especially in the field of licensing (Mazrieva, 2017).

The coordinator of Indonesia Corruption Watch, Donald Fariz, revealed that the first order of corruption in Indonesia occurred in the bureaucracy level, the parliament and the local leaders. In addition, the form of corruption carried out was not just manipulation of financial statements but fictitious project tenders, extortion, and tax evasion (Mazrieva, 2017).

Several previous research results showed inconsistent outcome. Rahadi *et al.* (2019) concluded that governance has a positive effect on local government performance. Improving the quality of governance implementation will improve government performance. Research done by Puspitasari and Setyanta (2020) and Rachmawati (2015), showed that the implementation of governance affects significantly positive to the performance of local governments.

The results of these studies were quite different with the result found at the research done by Hutapea and Widyaningsih (2017) which concluded that there was no significant effect of the application of the governance towards local government performances. The inconsistency of the results from previous studies was probably caused by the use of different research data. This study, however, still tried to use the same data which were published by the Local Government under the terms of the delivery of government performance in the public report.

In addition to the implementation of governance, another factor that also influences the performance of local governments is the government's internal controlling system. The government's internal controlling system is an integral process used to provide assurance that an organization's goals have been achieved and are in accordance with the regulations. Every organization including public sector organizations, namely the government, needs controlling instruments to manage the organization so it can be effective and achieve its goals.

Research conducted by Ompusunggu and Solomon (2019) suggests using the Government's Internal Control System in measuring the performance of local

governments. According to Soleman (2013) the internal control system can be applied to the local government organizational environment and has an influence on improving government performances.

Research by Claraini *et al.* (2017) shows the results that the government's internal controlling system has a positive influence on government performances. The internal control system is a part of the implementation of good governance. In this case the use of the internal controlling system is an attempt to look further into the elements of the application of governance in local governments. Based on the results of previous studies and efforts to see the implementation of better governance, this study was conducted to re-examine the implementation of governance and the government's internal controlling system on the performance of local governments.

This study observes the implementation of decentralization and regional autonomy policy reformation in 2014, in addition to the dynamics of governance at the district / city is very important to measure. It focuses on two things, namely: (1) Does the implementation of governance affect the performance of local governments? (2) Does the government's internal control system have an influence on local government performances?

Aimed to test the implementation of the governance and internal control systems of government on the performance of the local government, this research is expected to provide empirical evidence regarding the influence of the implementation of governance and government internal control systems on the performance of local governments as its benefits. As for the local government agencies, it can be considered for the evaluation in improving the implementation of governance and government internal control systems so that local government performance can be better.

The presentation of this study begins with an introduction and then continues with a literature review through theories that support the discussions in this study. Next, research is done using quantitative methods with multiple linear regression. Data processing uses cross-sectional data. The results of data processing are then discussed and at the end the conclusions, limitations and suggestions of this research are written.

2. Literature Review

The relationship between Society and Government has characteristics that are similar to agency relationships. A relation arises when there are expectations of the community (principal) against either the government in central or regional (agent) to hold a service which interest the public (principal) needs (Arfianti, 2013). To minimize irregularities in running public services, the institution of the local government should have the competence and ability to perform their work accordingly.

To avoid agency conflicts, it is necessary to apply good governance to prevent deviance of duties. The implementation of governance has cost consequences which in this case can be grouped as agency costs. In addition to governance, other agency costs can be in the form of monitoring costs. This fee is used to monitor the behavior of agents, in order to create justice between the principal and the agent (Hakim *et al.*, 2017). This can be carried out by designing an internal control system as one of the methods. Therefore, the good and right applications of both governance and internal controlling system are expected to improve the performance of local governments.

The government's performance is marked by an increase in the achievement of targets (Puspitasari and Setyanta, 2020). An understanding of regional financial management, regional financial administration, and regional property assets management has an impact on improving local government performance (Husaini, Lucy, and Aditya, 2013). Local government performance can be measured using the Regional Government Implementation Performance Evaluation (EKPPD) which is sourced from the Regional Government Organizing Report (LPPD).

The performance report is used as a form of governance implementation carried out by the local government to the community. The form of governance implementation between the people and the government is shown when there are interests of the community and government intervention on that interest to the political process of social interaction in various fields (Kooiman, 1993). This is also supported by Zeyn's (2011) research which says that the prerequisite for every government to realize the implementation of good governance and achieve state goals is to fulfill the aspirations of the people. Therefore, the government must amend structural arrangements at the creation of the implementation of good governance.

The expectation from the implementation of good governance is that the government can implement the principles of good management. The study done by the Asian Development Bank (1999) concluded that when a government implements governance well, it will achieve better development results and bring impact on improving the climate of greater openness, participation and accountability in accordance with the basic principles or guidelines for corporate governance. Thus, when these expectations can be realized, the prosperity and progress of the people and the state can be achieved.

The achievement of governance implementation needs to be encouraged with the established controls. The instrument was established by and for the benefit of the organization called the Internal Control (Sari, 2013). Boynton and Johnson (2006) explains that the form of internal control is carried out in the context of protecting assets due to asset management that is not in accordance with applicable regulations. Internal control is something important to be applied within an organization. It focuses not only on organizational plan, but also on processes and records in the preparation of the provisions that lead to a particular transaction. Internal control is expected to prevent fraud that can harm the government.

The government has decided as for its administration, both at national and regional levels, that there should be a system of internal control that is implemented. Based on this decision, the President stipulates Government Regulation Number 60 of 2008 concerning the Government's Internal Control System, which states that the central government and regional governments must be responsible for the implementation of the internal control system in their respective environments.

The internal control system aims to provide confidence to the public that the activities carried out are effective and efficient, and in accordance with the laws and regulations (Government Regulation of the Republic of Indonesia Number 60 of 2008 concerning the Government's Internal Controlling System). Implementation of the government's internal control system is expected to reduce the likelihood of the misconducts, so as to improve the performance of the government. The achievement of good performance quality comes from an adequate internal controlling system.

The system undertaken has certain levels of effectiveness, based on Government Regulation No. 60 of 2008 on the Internal Control System of the Government of the Republic of Indonesia Chapter II, Article 3, paragraph 1, which says there are five elements set to measure the internal control, namely: a healthy controlling environment, the existence of a risk assessment, the implementation of control activities, the information and communication systems and finally the implementation of monitoring activities. In line to that, to form good performances, the local government is obliged to create, implement, and seek an orderly system of internal control.

3. Application of Governance on the Local Government Performance

The implementation of governance in an organization must be based on professional ethics and basic principles to reduce abuse of power. In line with this, agency theory says that a cooperative relationship between principals and agents requires a check and balance process to minimize abuse of power by the management (agents) (Hamdani, 2016). Based on that theory, the government attempt that must be considered is the increasing improvement in terms of service and supervision in performing tasks (Puspitasari and Setyanta, 2020).

The problem arises because agents, in this case the government, commit more fraudulent acts for personal interests without seeing the consequences that will bring impacts on the principal (society). Another problem is that there are many financial reports manipulated to make their performance appear good. Therefore, the implementation of governance has the aim of equalizing the interests of principals and agents to overcome or minimize agency problems that occur. The results of these efforts will have an influence on government performance.

Research done by Zeyn (2011) which was conducted in Bandung proves that the implementation of good governance can have a positive influence on local

government performance, the government is increasingly committed to providing greater accountability to the community. In addition, research by Ruspina (2013) shows the results that the implementation of governance has a positive influence on the performance of local governments.

A study conducted by Rachmawati (2015) concludes that there is positive effect of the application of governance on the quality of public service delivery. This is also confirmed in the research of Wirawati *et al.* (2020) which states the regional organization (OPD) in carrying out the implementation of governance has positive effect on the performances of the government in Karangasem Regency. Based on these arguments, hypothesis one is put forward as follows.

H1: Application of good governance has positive effect on local government performance

4. Government Internal Control System on the Local Government Performances

Internal control system is an important element in governance. It is due to the fact that it concerns the objectivity of the authority and credibility of managers. In the Institute of Internal Auditors (2020) it is explained that independence is built through 3 things, namely: (1) accountability to management organs, unlimited access to human resources, (2) organizational resources, and data needed to complete their work, and (3) free from the bias of others in planning and carrying out audit activities.

Therefore, the internal control system in an organization is an important thing to implement. The internal control system is an integral process used to provide confidence that an organization's goals have been achieved and in accordance with applicable regulations. In the internal control system, government is committed to establishing good governance with the aim to reduce corruption by way of state management to be transparent and accountable (Diana, 2013).

One approach that can be taken to support the implementation of good internal control is by having a monitoring, designing control systems, conducting external audits, and providing good information systems to minimize information asymmetry. The control system through SPI is used to ensure that all programs and activities designed are in accordance with and that organizational goals can be achieved. In addition, it is used as a material to assess the effectiveness of the program.

The government's internal control system has 5 components that can reduce risks that may occur in the implementation of good governance (Saptapradipta, 2014). Research conducted by Chintya (2015) says that a good internal control system will give a good impact on the performance of agencies of government. This is also supported in the research conducted by Sunarmo *et al.* (2018) which states that the

internal control system of government has positive effect on the performance of the local government. This means that the better the internal control system of the government is, the better local government performance will be. Thus, the government's internal control system is very important to implement as a way to improve performance. Based on these arguments, the second hypothesis is put forward as follows.

H2: The Government's Internal Control System has positive effect on the performance of local governments.

5. Research Method

This research is a quantitative study using multiple linear regression which aims to examine the implementation of governance and government internal control systems on local government performance, as well as provide empirical evidence regarding the application of governance and government internal control systems to local government performance.

The population in this study were all regencies/cities in Indonesia in 2014 as many as 514, consisting of 415 regencies, 1 administrative district, 93 cities, and 5 administrative cities. The sampling technique is non-probability with purposive sampling method, which is a technique by selecting samples with certain criteria. The reason for taking the sample in that year was due to the implementation of post-reform decentralization and regional autonomy policies, besides that the dynamics of district/city level governance became very important to measure. The criteria and sample recapitulation used are as follows:

Table 1. Sample Selection Criteria

No	Criteria	Sum	Percentage
1	The number of regencies and cities in Indonesia in 2014	514	100%
2	The number of regencies and cities with no or incomplete report	480	93,3%
3	The number of regencies and cities with complete report	34	7,67%
Total Sample		34	7,67%

Source: Secondary Data (2021).

The type of data for this research is secondary data. They are in the form of minister decree data of The Internal Affair Minister of Republic of Indonesia regarding the determination of the rank and status of the performance of the organization of local governments nationwide, executive report of Indonesia Governance Index in 2014, a performance report of the Financial Supervisory Agency (BPKP), the data of

regents, the deputies, mayors and the deputies of all local governments, and reports on each local government website.

5.1 Research Variables

The variables used in this study are local government performance as the dependent variable and as for the independent variables are governance application and government internal control system. The operational definition of each research variable is set as follows:

Local government performance is a description of the level of achievement of the implementation of an activity, program, or policy to improve the achievement of the goals, the vision, and mission of the regional government (Bastian, 2015). This variable was measured using the score of the local government performance evaluation (EKPPD). The assessment criteria for the performance score are divided into 4 levels of achievement with a rating scale of 0-4. The higher the score obtained indicates that the implementation of local government is getting better and has a positive impact on local communities.

The application of governance is the implementation of a strong and responsible development management and in line with the principles of avoiding misallocation and preventing corruption (Ruspina, 2013). This variable is the actual measurement using the Indonesia Governance Index (IGI). The size of the data is objective and measurable by using an assessment score of 1-10. The higher the value means the better. IGI is used to measure the implementation of local government governance.

The government's internal control system (SPIP) is an internal control component that is able to minimize risks that may occur and encourage increased implementation of government governance in it (Saptapradipta, 2012). The sub-indicators in the government's internal control system are: control environment, risk assessment, control activities, information and communication and monitoring. This variable was measured using the SPIP maturity score with a rating scale of 0-5. The higher the score obtained indicates that the local government has maturity in the government's internal control system and the implementation of this system is running well.

Two things show that governance goes hand in hand with performance, namely: (1) In the Law of the Republic of Indonesia Number 23 of 2014 concerning Regional Government Article 1 paragraph 29 states that the work plan of the regional government is designed within a period of 1 (one) year which contains the implementation of development programs and activities, and (2) In the Decree of the Minister for Empowerment of State Apparatus Number: KEP/46/M.PAN/4/2004 concerning Instructions for Implementing Inherent Supervision in the Implementation of Government, it is stated that in order to achieve good governance it is necessary to arrange the implementation of inherent supervision.

With the existence of a supervisory system inherent in the administration of government, especially in local governments, which is carried out regularly and assisted by inspectors within the local government environment. It is hoped that it can provide a warning against the possibility of inappropriate practices. The process of implementing local government operations is prepared in the span of 1 (one) year and there is an inherent supervisory system in the local government for the realization of the implementation of governance that goes hand in hand with efforts to realize performance.

5.2 Control Variables

This study uses control variables to increase the internal validity of the research model. The control variables in this study are the regional head's tenure and the regional head's education level. Both are parts of the characteristics of the local authority chiefs that will affect the performance of local governments. Tenure has an influence in the decision-making process to improve performance, and a long-term period in certain fields of work provides more experience and expertise to improve performances.

Education level is describing someone who has good cognitive complexity so easily accepting innovation to improve services and give the person confidence to communicate with officials at higher levels. The Regional Head figure can bring about changes and can develop better strategies to improve the performance of his reign (Sutaryo, 2013).

The tenure is measured by the term of office of the regional head, namely: the term of office ≤ 5 is symbolized by the number 1, while ≥ 5 years is symbolized by the number 2 and the education level of the regional head is measured by the education level consisting of: SMA (High School) and STM (Vocational High School) is represented by the number 1, D3 (Associates Degree) is represented by the number 2, S1 (Bachelor's) and Military Academy is symbolized by the number 3, S2 (Master's) is symbolized by the number 4, and S3 (Doctorate) is symbolized by number 5.

5.3 Data Analysis Technique

This research is conducted by observing the data at the same point of time that is in the year 2014, the types of data from this research is cross-sectional and to be tested with multiple linear regression techniques. In a regression analysis, regression equation must be the Best, Linear, Unbiased, Estimator (BLUE), which means the data will be regressed must qualify classic assumptions (Anastasia and Gunawan, 2003).

The hypothesis test in this study is the adjusted R Square test which is used to see the ability of the regression model in explaining the effect of the variables of the

application of governance and government internal control systems on local government performance. T test or individual parameter significance test (t) is indicated to see how far the variable application of governance and government internal control system may explain the variable performance of local governments.

6. Results and Discussion

Based on the data that has been collected and the analysis that has been carried out, the following are the test results from descriptive statistics, classical assumption tests, and regression tests. Based on the results of descriptive statistical tests conducted on 34 district and city government data in 2014 which were used as samples, the results are written in Table 2 below.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IGI	34	2,50	6,85	4,8018	,88803
SPIP	34	,76	3,30	2,1394	,73841
Tenure	34	1,00	2,00	1,8235	,38695
Education Level	34	3,00	4,00	3,4118	,49955
Performance	34	1,00	3,44	2,4618	,67420
Valid N (listwise)	34				

Source: Secondary Data (2021).

The results of the descriptive statistical tests as shown in Table 2 tell us the data distribution of each variable of this study. The number of samples studied in this study were 34 districts/cities. The dependent variable in this study is the performance of the local government which has an average value of 2.4618 with the lowest value of 1.00 and the highest value of 3.44 and a standard deviation of 0.67420.

The lowest performance was in the districts of Manokwari, West Papua and Seluma, Bengkulu and the highest in the city of South Tangerang, Banten. The independent variables in this study are: (1) The implementation of governance using the IGI (Index Governance Indonesia) score has an average of 4.8018 with the lowest score of 2.50 and the highest score of 6.85 and a standard deviation of 0.88803 and (2) The government internal control system using SPIP maturity score has an average of 2.1394 with the lowest value of 0.76 and a high of 3.30 and a standard deviation of 0.73841.

The normality test was used to test whether the distribution of the data used was normally distributed. This test method using *jarque bera* and data are normally distributed when the significance level showed results above 0.05. Based on the normality test, it was found that the probability value was $0.118922 > 0.05$. It can be concluded that the data are normal.

Multi-collinearity test is used to see whether on the regression model, a correlation between the independent variables is found. Data are freed from multi-collinearity when the value of variance inflation factor (VIF) of less than 10 and the value of tolerance above 0.1 (Ghozali, 2013). The test results show that each VIF value for the X_1 variable is 1.198.929, X_2 is 1.209.663, while for the control variable X_3 is 1,060,723 and X_4 is 1,072,119. So, it can be concluded that on the existing data, multi-collinearity does not occur, and the data are in accordance with predetermined conditions, namely all values of variance inflation factor (VIF) < 10 .

Heteroscedasticity testing is carried out to test the residuals of the model, to see whether there is a constant variance or not. The test uses the Glejser method to test the data free from heteroscedasticity. The data is free from heteroscedasticity when the result is $\text{sig} > 0.05$ or 5% (Ghozali, 2013). If the significance is above 5%, it is concluded that the regression model does not contain heteroscedasticity. The results showed a probability value for each variable. Variable X_1 is IGI (the application of governance) of $0.5451 > 0.05$, variable X_2 is SPIP (Government Internal Control System) of $0.6193 > 0.05$, the control variable, X_3 , the term of office of the regional head of $0.7172 > 0.05$, and X_4 the education level of the regional head of $0.5589 > 0.05$.

The two independent variables and the two control variables are not significant, meaning that neither independent variable nor control variable affects the absolute residual variable. It can be concluded that heteroscedasticity does not occur. The model is assumed to meet the requirements of Best, Linear, Unbiased, Estimator (BLUE).

Multiple linear regression testing is conducted to test and determine whether the hypothesis is accepted or rejected. Based on the test results using the Eviews 9 application, the results obtained for the X_1 variable, namely the application of governance, with measurements using the IGI measure showing a coefficient value of 0.207; the t arithmetic value is 2.073 and the probability value is 0.047. Based on these results and its standard value $\leq 5\%$ it can be concluded that H_1 is accepted. Thus, the variable of implementing good governance (X_1) has positive effect on the performance of local governments (Y).

Variable X_2 , the government internal control system, with measurement using SPIP maturity score, has a coefficient -0.050; the t value is -0.321 and the probability value is 0.750. Based on these results and its standard value $\leq 5\%$ it can be concluded that H_2 was rejected. Thus, variable control system of internal government (X_2) has no positive effect on the performance of local governments (Y).

The result of the first hypothesis (H_1) shows that government administration is in conformity with the basic principles of governance that already existed. The basic principles are used as guidelines for carrying out work and improving the

performance of good local government, as well as reducing abuse of power. One example is the implementation of bureaucratic reformations in local government, a policy that must be carried out by all local governments in Indonesia. The results of this study are in line with the agency theory which says that a cooperative relationship between principals and agents requires a check and balance process to minimize abuse of power by management (agents) (Hamdani, 2016). Governance is expected to provide oversight of the performance of agents (management) (Hamdani, 2016), in this case the management in question is the local government.

The results of this study are also in line with previous research by Yunaita Rachmawati (2015) proving that the implementation of good governance in government brings positive effect for local government performance. This is also supported by research conducted by Puspitasari & Setyanta (2020) which states that governance variables have positive effect on local government performance variables, the higher the IGI score in the government of a region, the higher the EKPPD score. Thus, it can be concluded that the implementation of governance can be used as an effort by the government to improve performance and improve local government service delivery.

The results also show that synchronizing between the interests of the principal and the agents' performances to overcome or minimize agency problems occurred can be done by the local government by applying governance that will give effect to the performance. Applications of good governance need to be administered in a government area where an agency relationship between local government and the community is adopted. Another benefit, it will be to create fairness between principals and agents.

The results of the second hypothesis test (H_2) indicate that the internal control system has no effect on the performance of local governments. The condition of each district/city area sampled has not yet achieved a maturity score or maturity of good governance, this indicates that the level or structure of maturity of the administration of the government's internal control system has not been maximized.

The factor that becomes a problem in the maturity of the implementation of the government's internal control system is the low awareness of the district/city government towards the importance of increasing the effectiveness of internal control in achieving performance. The indication that hypothesis 2 is not supported in this study is because the government's internal control system policy has not been fully implemented.

Research from Ompusunggu and Solomon (2019) shows that several factors are the cause of not being optimal in terms of implementing the government's internal control system, namely: content and policy context, lack of application of sanctions, lack of maturity of a consideration, errors in translating orders, neglect of management and the existence of collusion.

The results of this study are not in line with the results of research conducted by Claraini et al. (2017) which states that the government's internal control system has a positive effect on government performance.

7. Conclusion

This study aims to examine the effect of applying governance and government internal control systems on local government performance. Based on the data analysis, it is concluded that the implementation of governance has a positive influence on the performance of local governments. This means that the better the level of governance in a local government (regency/city) is, the higher the performance of the local government will be. This also shows that there have been efforts made by district/city governments in implementing good governance.

In contrast to governance, testing the effect of the internal control system on local government performance shows that the government's internal control system has no effect on local government performance. Based on the existing data, it can be seen that the maturity level of SPIP is still far from the target, namely a maturity score of 5. The highest score that can be obtained only reaches a score of 3.

Based on these data, there are indications that the level or structure of maturity of the implementation of the government's internal control system has not been maximized and is still being found. There are weaknesses in the application of SPIP.

8. Limitations and Recommendation

The limitation in this study is the limitation of data sampling due to the limited amount of data available, not all sample districts/cities have complete reports, especially IGI, so that researchers are only able to process data as many as 34 districts/cities. This sample size only shows 7.67 % of the total local government population in Indonesia.

9. Research Implication

The results of this study indicate that this study provides empirical evidence regarding the implementation of governance which has an influence on the performance of local governments and the government's internal control system has no effect on the performance of local governments.

Although the internal control system of government is a system that contributes to the creation of good governance in the local government, its existence is not in line with the implementation of governance in government in the region. This can become an issue for future research related to the consistency of the application of governance with elements in of local government in Indonesia.

Empirical implications of this research are expected that this study encourages the performance of employees of government agencies to work in accordance with the principles and rules applicable to the stylist service 's local governments in the hope that it will be more effective and produce a good performance.

The performance is well in accordance with the rules of behavior can reduce abuse of authority such as the behavior of collusion, corruption and nepotism. In addition, this research is expected to provide a reference for monitoring internal performance superior- subordinate in the government area. Therefore, to local government agencies it could be considered as an evaluation to further improve the implementation of corporate governance and internal control system of government that is better.

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