



## Research Article

# The Effect of Internal Control, Budget Participation and Budget Commitment on Managerial Performance of Government Work Unit (SKPA) In Province of Aceh, Indonesia

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**Abstract:** The research aims at investigating the effect of internal supervision, budget participation and budget commitment on managerial performance in SKPA in Aceh. The population in this study were Aceh Officials working in the agency both echelon II and III consisting of: Head of Section (Kabag), and Head of Division (Kabid) who participated in the preparation of the budget totaling 94 respondents. The results of the study show internal supervision, budget participation and budget commitment partially have a significant effect on the performance of the Officials. Internal supervision, budget participation and budget commitment simultaneously also have a significant effect on the performance of the Aceh Government Apparatus. Internal Supervision, Budget Participation and budget commitment can influence the performance of the Aceh Government Apparatus by 62 percent and the remaining 38 percent is influenced by other variables outside of this research model. The smallest variable that has an effect on managerial performance is internal supervision, therefore it is hoped that the leadership of the Aceh Government Apparatus can strengthen the internal supervision system for all employees so that they can improve the performance of the Aceh Government apparatus.

**Keywords:** Internal Supervision, Budget Participation, Budget Commitment and Managerial Performance.

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## INTRODUCTION

In the government regulation (PP No. 58 of 2005) concerning regional financial management, it is explained that the implementation of performance-based budgets implies that each state organizer is obliged to be responsible for the results of the process and use of its resources, so that every government program and activity funded by public funds can be enjoyed and felt people in improving their welfare. With such understanding, the application of performance-based budgets must be initiated from the start of budget preparation.

Achievement of performance, the performance of the Government of Aceh is still not optimal, there are several levels of achievement of performance indicators that are not comparable with the level of achievement in the previous year, not yet optimal performance of several sectors compared to other Provincial Government performance achievements and not yet optimal performance of stakeholder assessment (LAKIP Government Aceh, 2013).

Based on the results of public observations that have been delivered by the Transparency Aceh Community (MaTA) up to November 2014, there were 39 SKPA in the Aceh Government, which were still in the red category with 18 SKPA. While for the yellow category there were 12 SKPA, green as many as 10 SKPA, and blue nine SKPA. Absorption of the budget and physical realization, the performance of the Aceh Government is still quite bad. This gives an indication that the realization and planning of

the budget is far adrift, because the 2014 budget period was only one month. If it is not realized one hundred percent until the end of December, the performance of the Government is not better than before. The realization of the 2014 Aceh Revenue and Expenditure (APBA) is still very low. Until November 6, 2014 new financial realization reached 60.3% and physical realization of 65% of the total APBA, a change in 2014 which amounted to IDR 12.9 trillion. Although the ratification of the 2014 budget was faster than in previous years, the absorption of the Aceh Government budget was still very low. (<http://www.acehnews.net/mata-catat18-skpa-di-Pemerintah-aceh-berapor-merah>)

## LITERATURE REVIEW

### Understanding of Performance

Performance is the output of job that can be pursued by a person or group of people in an organization, based on their respective responsibilities and authorities in an effort to obtain organizational aims. There is a close link between individual and organizational performance, in other words, if employee performance is good then the possibility of organizational performance is also good (Prawirosentono 2010: 120). On the other hand Mulyadi, (2012) said that performance is the layer of achievement of the action of an activity in realizing targeted targets.

Meanwhile, As'ad, (2010: 48), refers it as the result got by someone according to the size that applies to the work in

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question, as a level where employees meet / achieve specified work requirements. Dessler (2011: 268), performance analysis is to validity that there is a deterioration in performance and set up whether this drop should be improved through advocacy or through other means.

### **Sawitri (2015) indicators in measuring SKPK performance can be seen from several elements, namely:**

1. Determine goals, objectives, policies
2. Collect and prepare information
3. Exchange information with people in the organization
4. Evaluating performance
5. Directing, leading and developing
6. Maintain and maintain subordinates,
7. Deliver information about the organization's vision, mission and activities.

### **Understanding of Supervision**

Talking about organizational problems is closely related to the management function of one of these functions is supervision. Supervision is one function that also determines whether or not the goals of a company are achieved. Supervision is a work activity to assess whether the activities carried out have gone according to plan or not, so that any deviations that will occur can be avoided as early as possible, by observing each activity both completed and being carried out.

Manullang (2012: 23) states that the supervision of one of the management functions in the form of conducting an assessment and at the same time if necessary to make corrections so that what the subordinates are doing can be directed to the right path with the aim of achieving the goals outlined. Sukamdiyo (2010: 44) states that supervision can be interpreted as a process to determine what work has been done to assess it, correct it with the intention that the implementation of the work is in accordance with the original plan.

### **Handoko (2014: 26) says supervision basically functions:**

- Establishing standards for implementation
- Determination of implementation measures
- Measuring the actual implementation and comparing it with the standards set.
- Taking corrective action is needed if the implementation deviates from the standard.

Revrisond (2015), indicators of measurement of internal supervision can be measured from, namely in relation to tasks that must be carried out, review of performance, development of human resources, control over management of information systems, physical control of assets, determination and review of indicators and measures of performance, separation of functions, authorization of important transactions and events.

### **Budget Participation Budget**

Budget is a manual for actions to be performed by the government including plans for income, expenditure, transfers and financing presented in rupiah currency and prepared in line with certain classifications systematically for a certain period. (Government Regulation Number 24 of 2005 concerning Government Accounting Standards)

### **Indicator of Budget Participation**

Mardiasmo, (2012) in measuring indicators of budget participation can be measured in several ways, namely:

1. Involvement of managers in budgeting
2. Employee involvement in realizing the budget.
3. Communication of budgets with various parties in the organization.

4. Formulate a joint budget with the executive.
5. Allocation of budgeting right on target.

### **Budget Commitments**

Abdullah (2005) and Nuraini and Indudewi (2012) revealed that the budget target commitments, accounting controls, and reporting systems all had an effect on LAKIP. In short, the time spent discussing Government agencies makes it difficult for policymakers to carry out budget functions optimally, so that they are prone to errors, inaccurate targets, and only refer to previous year's non-contextual programs with future needs. Measurement of performance in LAKIP (Government Institution Performance Accountability Report) is carried out by the Performance Gap method, which is carried out by comparing work plans with the achievements of each activity including input, output, outcome, benefit, and impact carried out through a systematic and continuous process to assess the level of success and failure of a program and activity, but the measurement of benefit and impact indicators is relatively difficult to implement. Budget commitment shows the extent of the budget goals that are revealed specifically and explicitly, and comprehended by anyone who is in charge. Kennis (2000: 201) found that managers gave positive reactions and were relatively very strong to increase budget commitment

### **Indicator of Budget Commitments Sawitri (2015) in measuring instruments or indicators of budget commitment can be seen as follows:**

1. The objectives of the RKA are transparently and comprehensively defined
2. The objectives of the RKA are important and need to be prioritized
3. The objectives of the RKA are sometimes unclear and confusing
4. The RKA objectives are adjusted to the regional budget for income and expenditure
5. RKA is arranged quite effectively, efficiently, carefully and is free of Corruption and
6. Nepotism

## **RESEARCH FRAMEWORK**

### **Effect of Internal Oversight on Manjerial Performance**

Salvia (2008) examined the influence of inspectorate supervision and regional financial management on the managerial performance of SKPD. the results showed that the supervision of the inspectorate and regional financial management had a positive influence on the performance of the SKPD. Sutarto (2010: 214) and Kewo, Cecilia (2014) say that supervision affects performance, the tighter the level of supervision, the better the performance of the agency and vice versa, the lower the supervision of the institution, the lower the performance of an agency. Thus supervision has a significant effect on performance.

### **Effect of Budget Participation on Managerial Performance**

Budget participation is one of the variables that affect managerial performance in an organization. Alfar (2006), Kewo and Cecilia (2014) state that budgetary participation influences managerial performance both directly and indirectly influences managerial performance. Noor (2007), Manurung (2008) also states that there is a positive and significant effect of budgetary participation on managerial performance. Research on budget participation by Riyadi (2000), Solina (2014), Hassan (2015), Abiola (2017) and Nurcahyani (2017) prove that there is a positive influence on budget participation on performance. Nouri (2008) found that budgetary participation had no effect on managerial performance. In contrast to the research conducted by Ramendei (2009) and Suluh, (2012) that budget participation does not affect managerial performance.

### Effect of Budget Commitments on Managerial Performance

Maryanti (2002: 118) found that local government officials could find out the results of their efforts through effective evaluations to find out the budget commitments they made and they were satisfied that the budget they made was beneficial to the interests of the community. The results of the study by Abiola (2017) found that budget commitment had an effect on

managerial performance. This shows that the characteristics of the overall budget commitment produce a strong enough influence on managerial performance in the budget plan. Putra (2013) and Solina (2014) found that budget commitment had a positive effect on managerial performance of the Regional Work Unit.

The schematic framework in this study can be seen in Figure 1.

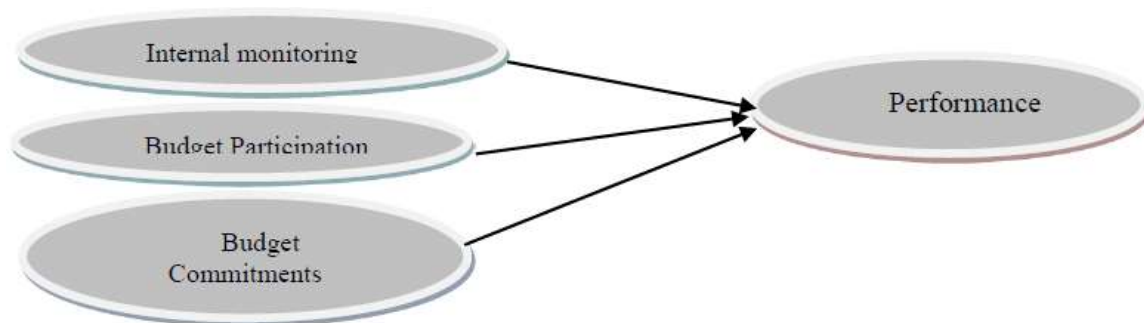


Figure 1: Research Framework

### Hypothesis

Based on the theories and frameworks that have been suggested showing each variable gives a direction for deterministic relations in improving performance, the hypothesis of this study are:

**Ha1:** There is a simultaneous influence of internal supervision, budget participation and budget commitment to managerial performance in SKPA in Aceh.

**Ha2:** There is an influence of internal supervision on managerial performance in SKPA in Aceh.

**Ha3:** There is an effect of budget participation on managerial performance in SKPA in Aceh.

**Ha4:** There is an effect of budget commitment on managerial performance in SKPA in Aceh.

## RESEARCH METHOD

Mathematically the multiple linear regression measurement in this study is formulated as follows (Gujarati, 2001: 67):

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Where:

**Y = Performance**

**α = constant**

**β1 = Internal control coefficient**

**β2 = The coefficient of budget participation**

**β3 = The coefficient of budget commitment**

**X1 = Internal control variable**

**X2 = Budget participation variable**

**X3 = Variable budget commitment**

**e = error terms**

## RESULTS AND DISCUSSIONS

### Hypothesis Testing Results

To find out the effect of internal supervision, budget participation and budget commitment on managerial performance in SKPA in Aceh, testing will be carried out using multiple linear regression measurement tools. The research results can be look on the following Table 1.

Table 1 Regression Calculation Results

Variable	Coefficients Regresi	t-count	(sig)
(Constant)	0,147	3,369	0,001
Internal monitoring	0,246	2,044	0,044
Budget Participation	0,789	5,935	0,000
Budget Commitments	0,482	5,044	0,000
R-square	: 0,620		
R	: 0,788		

Source: Data Processing Results, (data processed, 2018)

- From the results of the research, the following equation is obtained, namely  $Y = 0.147 + 0.246 X_1 + 0.789 X_2 + 0.482 X_3$
- Constants of 0.147 means that if internal supervision, budget participation and budget commitments are considered constant, then the performance of the Aceh Government Apparatus reaches 0.147 percent.
- Regression coefficient for internal supervision is 0.246, which means that every change of 1 percent that occurs in internal supervision will affect the performance of the Aceh Government Apparatus by 0.246 percent, assuming the budget commitment and budgetary participation variables are considered constant.
- Regression coefficient for budget participation is obtained at 0.789 meaning that every 1 percent change that occurs in the variable budget participation will affect the increase in the performance of the Aceh Government Apparatus by 0.789 percent, assuming the budget commitment variable and internal supervision are considered constant.
- Regression coefficient for budget commitment is 0.482 means that every 1 percent change that occurs in the budget commitment variable will affect the performance of the Aceh Government Apparatus by 0.482 percent, then the assumption of internal control variables and budgetary participation is considered constant.
- From the results of the above research, it turns out that the variable budget participation has the greatest regression coefficient. It revealed that budget participation has the most dominant contribution on the performance
- The performance of the Apparatus is very much effected by internal supervision, budget participation and budget commitment, can be seen from the determinant coefficient (R) of 0.620 which means internal supervision, budget participation and budget commitment can affect the performance of the officials by 62 percent and the remaining 38 percent influenced by other variables outside of this research model.

## HYPOTHESIS TESTING

### Simultaneous Testing

Simultaneous tests are performed to find out the effect of independent variables on the dependent variables together. From the results of the study obtained a regression coefficient for all independent variables in this study is not equal to zero ( $\beta_1 = 0.246$ ,  $\beta_2 = 0.789$ ,  $\beta_3 = 0.482$ ) meaning internal control, budget participation and budget commitment have a significant effect on the Performance of Aceh Government Apparatus.

### Partial Testing

Proof of internal control variables, budget participation and budget commitments influence the performance of the Aceh Government Apparatus, then a separate test is conducted independently. The results obtained are as follows:

- For internal supervision variables obtained a regression coefficient of 0.246 ( $\beta_1 \neq 0$ ) means that the internal supervision variable partially has a significant effect on the performance of the Aceh Government Apparatus.
- For budget participation variables obtained a regression coefficient of 0.789 ( $\beta_1 \neq 0$ ) means that the budget participation variable partially has a significant effect on the performance of Aceh Government Apparatus.
- For budget commitment variables obtained a regression coefficient of 0.482 ( $\beta_1 \neq 0$ ) means that the internal supervision variable partially has a significant effect on the performance of Aceh Government Apparatus.

Testing this hypothesis is done by testing the hypothesis formulation based on the regression analysis model that has been analyzed in this study with the aim of whether the test results are appropriate or not in accordance with the formulated hypothesis that has been formulated.

## Internal control influence on the performance of the Aceh Government Apparatus

The results of this study indicate that internal supervision has a significant effect on the performance of the Aceh Government Apparatus. This finding is in line with the research conducted by Salvia (2008) that internal supervision influences SKPD managerial performance, as well as research conducted by Mardi (2008), that internal supervision has a very strategic role, as a catalyst and dynamic in improving apparatus performance. and the success of regional development. Then Sutarto (2010: 214) and Kewo, Cecilia (2014) also say the same thing that internal supervision has a significant and positive effect on performance, the tighter the level of internal supervision, the better the performance of an agency. Thus supervision has a significant effect on performance.

## Effects of Budget Participation on the Performance of Aceh Government Apparatus

The results of this study indicate that budget participation partially has a significant effect on the performance of the Aceh Government Apparatus. This finding is in line with the research conducted by Alfar (2006), Kewo and Cecilia (2014) that budget participation has a significant and positive effect on managerial performance both directly and indirectly. Then another is filled Noor (2007), also mentions that there is a positive and significant influence of budgetary participation on managerial performance.

Likewise with the research conducted by Solina (2014), Hassan (2014), Abiola (2017), and Nurcahyani (2017) prove that there is a positive influence on budget participation. However, it is different from the research conducted by Farianta and Ghozali (2002), Nouri (2008), and Suluh (2012) that budgetary participation has no effect on performance.

## Effect of Budget Commitments on the Performance of Aceh Government Apparatus

The results of this study indicate that the commitment of the budget partially has a significant effect on the performance of the Aceh Government Apparatus. This finding is in line with the research conducted by Abiola (2017) who found that budget commitment affects managerial performance. This right shows that overall budget commitment produces a strong enough influence on managerial performance in the budget plan. Then in another study conducted by Putra (2013) and Solina (2014) found that budget commitment also had a positive effect on managerial performance of the Regional Performance Unit.

## CONCLUSIONS

1. Internal supervision, budget participation and budget commitment partially have a significant effect on the performance of the Aceh Government Apamaratue.
2. Internal supervision, budget participation and budget commitment simultaneously also have a significant effect on the performance of the Aceh Government Apparatus.
3. Internal Supervision, Budget Participation and budget commitment can influence the performance of the Aceh Government Apparatus by 62 percent and the remaining 38 percent is influenced by other variables outside the research model.

## Recommendations

1. To improve the performance of the Aceh Government Apparatus, the leaders of the Aceh Government Apparatus can continue to improve internal supervision, participation in budgeting and budget commitment.\
2. For the next researcher, it is suggested to be able to add various other variables outside of this research model to re-examine the performance of the Aceh Government Apparatus.



3. The least influential variable on managerial performance is internal supervision, therefore it is hoped that the leadership of the Aceh Government Apparatus can strengthen the internal supervision system of all employees so that they can improve the performance of Aceh Government apparatus.

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