

# Analysis the Effectiveness of Local Government Financial Management (Study at Local Government in Riau Province)

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## Abstract

The purpose of this study is to examine the effect of the implementation of financial accounting system, government internal control system, human resources competence and organizational commitment of the effectiveness of local government financial management in Riau Province. The probability sampling method is used for this study. The respondent are head of department, chief financial officer, and treasurer of department. The sample used of this study were 354 respondents. Data analyzed in this study is multiple linear regression analysis with SPSS. The result shows that the implementation of local government financial accounting system, government internal control system, human resources competence, and organizational commitment have positive effect on the effectiveness of local government financial management. The test results obtained R<sup>2</sup> values of 0,756 which means 75,6% of variables that affect the effectiveness of local government financial management could be explained by the independent variables in this study, while the remaining 39,8% is explained by variables outside the model.

**Keywords:** system, commitment, human resources, financial management, government, and effectiveness

## 1. Introduction

The basis of local financial management has been regulated in Peraturan Menteri Dalam Negeri Nomor 21 Tahun 2011 on guidelines for the management of local finances, which defines the management of local finance as a whole activities which include planning, implementation, administration, reporting, accountability and supervision of local finances. With this regulation, the local government has a foundation and guidance in managing local finances, namely the management of APBD (Revenue and Expenditure Budget).

Revenue and Expenditure Budget (APBD) according to Pemandagri Nomor 21 Tahun 2011 is the annual financial plan of local government that discussed and approved by the local government and DPRD, and stipulated by local regulations. APBD is the main policy instrument for local government. As a policy instrument, local budgets occupy a central position in capacity building and effectiveness of local governments. Regional budgets are used as a tool for determining the basis of income and expenditure, assisting decision-making and development planning, future expenditure authorizations, sources of development of standard measures for performance evaluation, tools to motivate employees, and coordination tools for all activities from various work units.

Local government financial management should be transparent and accountable. In order to realize transparent and accountable financial management, each head of the region must submit a financial report and Government Institution Accountability Performance Report (LAKIP) annually to DPRD as a form of accountability of local financial management. In the Government Institution Accountability Performance Report (LAKIP) there is a Budget Realization Report (LRA). According to Government Regulation PP No. 8 Tahun 2006 on Financial Reporting and Performance of Government Agencies, the Budget Realization Report (LRA) is a report that describes the realization of revenues, expenditures and financing during one period. Statement of Government Accounting Standards (PSAP) No. 02 on the Budget Realization Report, states that the objective of reporting the realization of the budget is to provide comprehensive realization and budget information useful in evaluating government performance in terms of efficiency and effectiveness of budget usage.

Effectiveness is the ability of a unit to achieve or exceed desired goals, goals or objectives (predetermined). Effectiveness describes the relationship of a responsibility center with the goal to be achieved. How many inputs (inputs) are required to produce an output unit (ouput). (Islahuzzaman, 2012: 132)

The effectiveness of financial management is the completion of activities timely and within the available budget limits, it can also mean achieving the goals and objectives that have been planned (Halim, 2004)

Based on the opinion above, it can be concluded that the effectiveness is the level of success of an organization in achieving the goals set previously. More effectiveness refers to the success of the goal to be achieved. If the established goal has been achieved then it can be said that what has been done by an organization is effective.

The effectiveness of good local financial management is reflected from the Budget Realization Report (LRA). Because in the budget realization report it is clear how much the absorption of funds of Regional Income

and Expenditure Budget (APBD) in that year, and how much percentage of APBD realization from which have been budgeted. In fact, the percentage of absorption of Regional Revenue and Expenditure Budget (APBD) is still less than 100%. This reflects that the management of Local Government finance has not been maximal or not yet effective. In addition to the Budget Realization Report, the effectiveness of local financial management can also be seen from the BPK RI audit opinion of the local government. Examples of cases on the effectiveness of Local Government Financial Management that occurred in Riau Province is based on the Budget Relation Report Pelalawan District and Dumai City. Based on the Budget Realization Report of Pelalawan Regency in 2014, it is explained that the Capital Expenditure of Building and Buildings budgeted is only realized as much as 47.86%. So with the budgeted Capital Expenditure, Irrigation and Networks only realized 55.30%. Grant Expenditure budgeted are only realized 62.92%. Furthermore, goods and services expenditures are realized at 83.49%. The low absorption of APBD reflects that the management of Local Government finance has not been running effectively because the Pelalawan Regency government has not been able to achieve the set targets. (Anonymous, 2014)

The next example is based on Dumai City Government Budget Realization Report 2014 stated that Local Revenue Budget is only realized 56.12%. Furthermore, the budget for Grant Expenditure budgeted only realized 66.85%. And the Social Assistance Expenditure budgeted is only realized at 39.50%. The low absorption of APBD reflects that the management of Local Government finance has not been running effectively because the Dumai City government failed in achieving the set targets. (Anonymous, 2014)

Based on Pemandagri Nomor 21 Tahun 2011 on the guidelines for the management of Local Government finances, pasal 4 ayat (1) states that Local Government finances are managed in an orderly, law-abiding, effective, efficient, economical, transparent and accountable with due regard to fairness, compliance and benefits to society. Orderly as referred in ayat (1) is that Local Government finances are managed in a timely and appropriate manner supported by accountable administrative evidence. Subject to the laws and regulations as referred in ayat (1) is that the management of Local Government finances shall be guided by the laws and regulations. Effective as referred in ayat (1) is the achievement of the program results with a predetermined target, that is by comparing the output with the results. Efficient as referred in ayat (1) is a maximum output attainment with a particular input or the lowest input use to achieve a certain output. Economical as referred in ayat (1) is the acquisition of inputs with a certain quality and quantity at the lowest price level. Transparent as referred in ayat (1) is a principle of openness that allows the public to know and gain access to information as widely as possible about Local Government finances. Responsible as referred in ayat (1) is a manifestation of a person's obligation to account for the management and control of resources and the implementation of the policies entrusted to him in the context of achieving the objectives. Fairness as referred in ayat (1) shall be the balance of distribution of authority and its funding and / or balance of distribution of rights and obligations on the basis of objective considerations. Compliance as referred in ayat (1) shall be an action or attitude which is reasonably and proportionally applied. The benefit to society as referred in ayat (1) is that Local Government finance is prioritized for the fulfillment of the people's needs.

To run and realize the general principles of financial management of the area, there are several factors that can affect the effectiveness of local financial management, that is Application of Local Government Financial Accounting System (SAKD). Local Government Financial Accounting System is an accounting system created aims to control activities that serve as an oversight of the effectiveness of local financial management.

Based on Pemandagri Nomor 59 Tahun 2007 states that the Local Government Financial Accounting System (SAKD) is a series of procedures ranging from the process of data collection, recording, summarizes, up to financial reporting in order to account the implementation of APDB can be done manually or use computer applications. The Local Government financial accounting system has several objectives, namely accountability. Accountability means that the local financial accounting system must be able to provide complete and accurate financial information to those who need the information. The second goal is managerial. Managerial means that the financial accounting system must be capable of managing economic activity in a government entity. The third objective is supervision. The Local Government financial accounting system should be able to control the economic activities that exist in an entity. In the Local Government financial accounting system, examples of inputs are Memorial Evidence, Deposit Receipt and Payment Order. While the process is using notes that include general journal books, ledgers, cash receipts, cash disbursement journals and auxiliary books. While the result of local financial accounting system is in the form of financial statements include Budget Realization Report (LRA), balance sheet, and Notes to Financial Statements (CALK). The Local Government financial accounting system is required to control all economic activities within a current entity in accordance with applicable, reasonable and transparent procedures. If the local financial accounting system has been running as expected then the Local Government financial accounting system will be able to improve the effectiveness of local financial management.

Examples of cases that occurred in districts and cities in riau province, found the phenomenon that occurred in the pelalawan district of the opinion BPK RI Riau Province representatives in 2014 found non-compliance with legislation in local financial management. The subjects of non-compliance, fraud, and non-indictment

findings are as follows: (1) Direct Use of Health Claim Receipt of Claim Result Health Services from BPJS and Jamkesda at RSUD Selasih and there is an overpayment of Services; (2) Actual Expenditure of Employees of additional income based on workload of Fiscal Year 2014 is not in accordance with the provision of additional income; (3) Payment of Incentive for Collection of Local Taxes and Levies is not in accordance with the provisions on the procedure of granting and utilizing the Incentive for Collecting Taxes and Levies; (4) The granting of Benefit Guidance for the Government Administration Apparatus of the district in the form of honorarium has no legal basis underlying it; (5) The provision of educational and educational services is not in accordance with the budgeting requirement and the amount of honorarium has not been determined by the Decree of the Head of Region; (6) Grant giving to Pondok Pesantren Modern Manbaul Ma'arif continuously and accountability of use of Fund Grant of money is not believed its fairness; And (7) Social Assistance Shopping for school supplies for poor students can not be utilized immediately.

In addition to the phenomenon that occurred Pelalawan District, other phenomena occurred in Dumai City in the opinion BPK RI Riau Province representative on Dumai District Government Financial Report. BPK finds non-compliance with the laws and regulations in the management of state finances, namely: (1) the implementation of the classroom work revitalization package of SDN Territory Labour Housing 10 graded classes do not fit the contract, and there is an excess payment for the lack of work volume; (2) There is use of the receipt of the Levy of the Goods Terminal; And (3) The execution guarantee does not cover the period of the cooperation agreement and is withdrawn by the provider of goods / services.

In achieving the effectiveness of local financial management, the government's internal control system is also considered influential. This can be seen based on Government Regulation PP Nomor 60 Tahun 2008 Pasal 2 states that for the achievement of effective, efficient, transparent and accountable state finance management, ministers / heads of institutions, governors and regents / mayors shall exercise control over the conduct of government activities. Control over the implementation of government activities as referred in ayat (1) shall be carried out under the guidance of the government's internal control system as regulated in this Government Regulation.

The government has largely issued various forms of systems that are all aimed at realizing good governance. The administration of the government certainly has a lot of activities and wide ranging from planning, implementation, responsibility, supervision to evaluation. So to realize good governance is required government internal control system that can control all activities within the entity for all activities carried out in accordance with the procedure and run in accordance with the planned.

With the government's internal control system is expected to create conditions where there is a culture of supervision of all organizations and activities of the entity so can detect the occurrence of early possible deviation and minimize the occurrence of actions that can harm the region / country. If the government's internal control system runs properly and runs as expected then the government's internal control system will improve the effectiveness of local financial management.

As an example of cases that occurred in Riau Province, there are some phenomena found in the Regency and City in Riau Province. In Pelalawan Regency, there was an opinion BPK RI Riau Province representatives in 2014 that the weakness of the internal control system in the preparation of financial statements, namely: (1) Control of cash management and non-budget cash management is not optimal; (2) The management of the supply of medicines at the General Hospital of Selasih District is inadequate; (3) Control over the management and recording of Fixed Asset is insufficient. Similarly, the opinion BPK RI Riau Province Dumai 2014 representatives found the weaknesses of internal control system in the preparation of financial statements, namely: (1) Dumai City Government cash administration is not adequate; (2) Other assets - Other assets are not believed to be fair; (3) Budgeting Errors in four SKPD; (4) The administration and management of fixed assets in Dumai City Government is inadequate; And (5) Dumai City Government's investment in PDAM Tirta Dumai Bersemai and PT Pembanguna Dumai are not in accordance with the provisions.

In addition to the Local Government Financial Accounting System and the Government's Internal Control System, there are other factors that can affect the effectiveness of Local Government financial management, that is the competence of human resources. In achieving the effectiveness of local financial management, the agency requires competent resources. This means that human resources must have the knowledge, ability and individual behavior in carrying out a job. To carry out effective Local Government financial management, it is necessary for human resources who have knowledge of budgeting, implementation and accountability of good financial management, have knowledge in the field of financial reporting in accordance with applicable standards. Then the resources must also have the ability and skills. For example, employee behavior standards in choosing work methods that are considered more effective and efficient. If local financial management is run by competent resources then it can improve the effectiveness of local financial management.

Examples of cases that exist in the Government of Riau Province, there are still many districts and cities in Riau Province are still lacking human resources who have the ability and understanding in accounting and financial reporting so training is needed to provide knowledge and improve the ability of human resources in

managing local finance. As happened in Pelalawan District which has an apparatus empowerment program. The empowerment of the apparatus in general is meant for the apparatus can be better than before, both in terms of authority, responsibility, and individual capabilities it has. Which means human resources or existing apparatus in the previous Pelalawan district is still not adequate. Organizational goals will be difficult to achieve, if the apparatus does not want to explore the potential that exists within him to work as much as possible. Furthermore, the phenomenon that occurred in Dumai City is a lack of understanding of financial management, causing errors Budgeting in four SKPD in Dumai City. BPK also finds the problem that is still low quality of local financial statement information caused by the accounting understanding of the report preparation itself that is directly related to the competence of human resources.

In addition to the application of SAKD, SPIP and Human Resource Competence, the factors that affect the effectiveness of Local Government Financial Reports are Organizational Commitment. Organizational commitment is the extent to which employees take sides with the organization and its goals that sometimes refer to employees' loyalty to the organization or commitment to the organization. Organizational commitment can grow because employees have psychological ties to the organization that includes job involvement, loyalty and feelings towards organizational values. Where for employees with high organizational commitment, it affects the achievement of organizational goals that are effective and efficient. Organizational commitment is defined as strong desire to remain as members of a particular organization, a desire to strive according to the organizational desires, and certain beliefs, and acceptance of organizational values and goals. In other words, this is an attitude that reflects the employee's loyalty to the organization and the ongoing process by which the organization members express their concern for the organization and its continued success and progress. Fred luthan (2005).

Organizational commitment is the circumstance in which an employee sides with an organization and its goals, and intends to maintain its members within the organization. Organizational commitment describes how far a person identifies and involves himself in his organization and the desire to remain in the organization.

According to L. Mathis-John H. Jackson, organizational commitment is the degree to which employees believe and accept the goals of the organization, and wishing to stay together or leave the company is ultimately reflected in absenteeism and employee turnover.

Organizational commitment is an attitude that reflects the extent to which an individual knows and is tied to his organization. A highly committed individual will likely see himself as a true member of the organization.

Based on the background of the above problems, the research questions for this research are: (1) Is the Application of Local Government Financial Accounting System affect the Effectiveness of Local Government Financial Management of Riau Province?, (2) Does the Government Internal Control System affect the Effectiveness of Local Government Financial Management of Riau Province?, (3) Does Human Resource Competence affect the Effectiveness of Local Government Financial Management of Riau Province?, (4) Does Organizational Commitment affect the Effectiveness of Local Government Financial Management of Riau Province?

Based on the research questions above, this research has the following research objectives: (1) To prove empirically the influence of the Application of Local Financial Accounting System on the Effectiveness of Local Government Financial Management of Riau Province, (2) To prove empirically the influence of Government Internal Control System on the Effectiveness of Local Government Financial Management of Riau Province , (3) To prove empirically the influence of Human Resource Competence on the Effectiveness of Local Government Financial Management of Riau Province, (4) To prove empirically the influence of Organizational Commitment on the Effectiveness of Local Government Financial Management of Riau Province.

## **2. Theoretical Basis**

### *2.1 The Effectiveness Of Local Government Financial Management*

According to Islahuzzaman (2012: 132) in his book Accounting and Auditing Terms, effectiveness is the ability of a unit to achieve or exceed desired goals, goals or objectives (predetermined). Effectiveness describes the relationship of a responsibility center with the goal to be achieved. How many inputs are needed to produce one output unit.

Regulation of the Minister Permendagri Nomor 21 Tahun 2011 on guidelines for the management of blood finances, defines Local Government finance are all the rights and obligations of regions in the framework of local government which can be assessed with money, including all forms of wealth related to the rights and obligations of the region. Simply can be defined as all rights and obligations that can be assessed with money, as well as everything both money and goods can be used as wealth in accordance with the provisions of applicable legislation.

Local Government financial management will be said to be effective if it can complete activities on time, within budget limits available and in accordance with the planned.

### *2.2 Local Government Financial Accounting System*

The word "application" in Indonesian Big Dictionary is applying, executing something that has been established. Based on the above understanding when associated with the implementation of local government financial accounting system it can be concluded that the applying of local government financial accounting system is the implementation of financial accounting system content area in accordance with the regulations that have been listed in Pemendagri Nomor 64 Tahun 2013 as a guide for the government in implementing local government financial accounting procedures starting from recording, classifying, summarizing, to compiling and presenting financial statements to help improve the effectiveness of financial management.

### *2.3 Government Internal Control System*

In Government Regulation PP Nomor 60 Tahun 2008, the Internal Control System is an integral process of actions and activities undertaken continuously by the leadership and all employees to provide reasonable assurance on the creation of organizational goals through effective and efficient activities, financial reporting reliability, observation of state assets, and compliance with laws and regulations.

Furthermore, according to the Regulation of the Minister Permendagri No. 21 Tahun 2011 on Guidelines for Local Government Financial Management states that internal control is a process designed to provide adequate sufficiency regarding the achievement of local government objectives as reflected in the reliability of financial statements, efficiency and effectiveness of the implementation of programs and activities, and compliance regulations legislation.

### *2.4 Human Resources Competence*

According Wibowo (2007: 86), competence is:

Competence is an ability to perform a job or task based on skills, knowledge and supported by the work attitude demanded by the job. Thus the competence shows the skills or knowledge that is characterized by professionalism in a particular field as something important, as the leading in the field.

Meanwhile, according to Spencer and Spencer (1993), as quoted by Widodo (2007: 87) states that competence is the basic foundation of the characteristics of insiders indicate how to behave or think, equalize the situation, and support for a long period of time.

The term human refers to the people within the organization. This term is a wealth owned by someone who comes from within himself. These resources can be knowledge, ability, skill, talents and leadership (Ikhsan, 2008: 2-3).

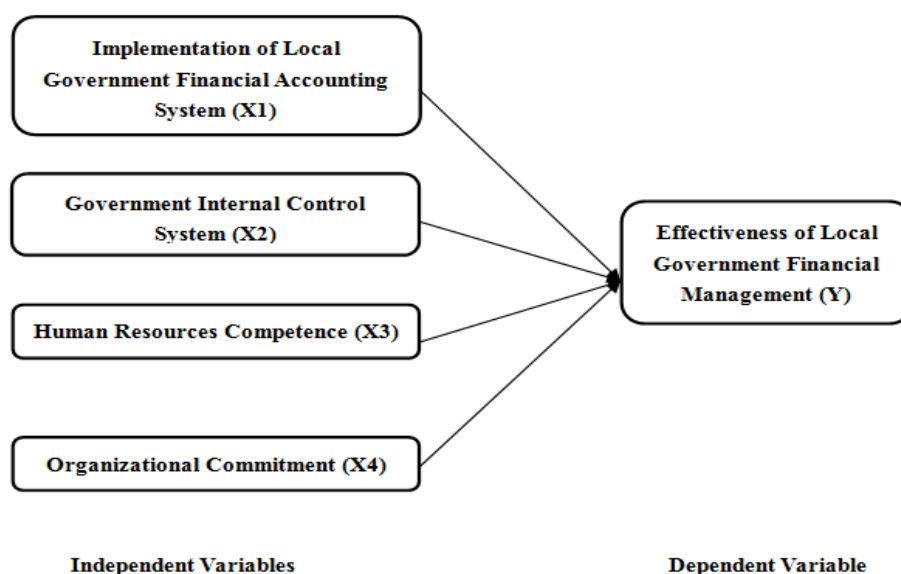
### *2.5 Organizational Commitment*

Organizational commitment is an attitude that reflects the extent to which an individual knows and is tied to his organization. A committed individual is likely to see himself or herself as a true member of the organization. Organizational commitment is a state in which an employee sides with that organization and its goals, and intends to maintain its members within the organization. Organizational commitment describes how far a person identifies and engages himself to his organization and the desire to remain in the organization. A highly committed individual is likely to see himself as a true member of the organization. An employee with high organizational commitment, will have an impact on the achievement of organizational goals that are effective and efficient.

### 3. Hypotheses Development

#### Research Model

Figure 1  
Research Model



#### 3.1 The Effect of Implementation of Local Government Financial Accounting System on the Effectiveness of Local Government Financial Management

Local government financial accounting systems are often linked in helping to improve the effectiveness of local government financial management. Effectiveness in local government financial management means that an entity is capable of achieving or exceeding the planned objectives, being able to complete activities on time, capable of completing activities within the limits of the available budget, and being able to achieve the objectives and targets as planned.

Based on the above, the first hypothesis proposed is as follows:

H1: The implementation of local government financial accounting system has an effect on the effectiveness of local government financial management.

#### 3.2 The Effect of Government Internal Control System on the Effectiveness of Local Government Financial Management

In Government Regulation PP No. 60 Tahun 2008, the Internal Control System is an integral process of actions and activities undertaken continuously by the leadership and all employees to provide reasonable assurance on the creation of organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance with laws and regulations. The purpose of internal control is to maintain the organization's assets / secure assets, check the accuracy and correctness of accounting data, encourage efficiency, encourage compliance with management policies.

With the government internal control system is expected to create conditions where there is a culture of control over all organizations and activities of the entity so as to detect the occurrence of early possible irregularities and minimize the occurrence of actions that can harm the country / region. If the government internal control system runs properly and runs as expected then the government internal control system will improve the effectiveness of local government financial management.

Based on the above, the second hypothesis proposed is as follows:

H2 : Government Internal Control System Affects Effectiveness of Local Government Financial Management

#### 3.3 The Effect of Human Resource Competence on the Effectiveness of Local Government Financial Management

Human resources have a great influence to improve the effectiveness of local government financial management. Because within an agency, human resources that run and move an agency. Therefore, the resources that work in the agency must be competent. Human resources must have the knowledge, ability and individual behavior in carrying out a job. Human resources must have knowledge of budgeting, implementation and accountability of good financial management, have knowledge in the field of financial reporting in accordance with applicable

standards. Then the human resources must also have the ability and skills. For example, employee behavior standards in choosing work methods that are considered more effective and efficient. If the management of regional finances run by competent human resources then it can improve the effectiveness of local government financial management.

Based on the above, the third hypothesis proposed is as follows:

H3 : Human resources competence affect the effectiveness of local government financial management

### *3.4 The Effect of Organizational Commitment on the Effectiveness of Local Government Financial Management*

According to Zalin's (2013) research that examines the effect of employee commitment and the implementation of government internal control system on the local government financial management, the result shows that the implementation of government internal control system and human resources (employee commitment) has a significant positive effect on the local government financial management. It is proven that to improve the process of effective local government financial management, the agency needs to implement the commitment of employees is quite good, but it is also necessary government internal control system in local government financial management in order to achieve good and effective local government financial management.

Based on the above, the fourth hypothesis proposed is as follows:

H4 : Organizational commitment affects the effectiveness on the local government financial management

## **4. Research Methodology**

In accordance with the problems and objectives formulated, this research belongs to causative research. Causative research is useful for analyzing the influence of one variable with several other variables. This research aims to find out how far independent variables affect the dependent variable. This research directed to provide empirical evidence that Application of regional financial accounting system, the government's internal control system. Competence of human resources and organizational commitment affect Effectiveness of Local Government Management (On Inspectorate in Riau Province).

The population in this research is all SKPD / OPD in Riau Province. Determination of sample with random sampling that is taking sample of population randomly without considering strata that exist in population, the sample in this research is Pelalawan Regency, Dumai City, Bengkalis Regency, and Pekanbaru City.

The method used in this research is survey method with questionnaire technique. The questionnaire contains a list of questions asked to respondents to obtain data related to the research. Primary data were obtained from the respondents' answers, namely Head of SKPD / OPD, Head of financial sub-section and treasurer in SKPD / OPD in Riau Province. To obtain the required data in this study used the instrument in the form of questionnaires. The questionnaire was distributed by giving directly to the respondents. The questionnaire contains a list of questions whose answers are expressed using a Likert scale.

To facilitate the processing and analysis of data, used several operational variables. The operational definitions relating to the process of data analysis in this study are as follows:

### *4.1 Dependent Variables*

The dependent variable is often referred as output variable, a criteria, consequent. In Indonesian language is often referred to the dependent variable. The dependent variable is the variable that is influenced or the result, because of the independent variables (Sugiyono, 2014). In this study the dependent variable is as follows:

#### *4.1.1. Effectiveness of Local Government Management*

According to Rai (2010: 24) in his book Performance Audit In Public Sector suggests the definition of effectiveness (effectiveness) is the relationship between outcome and output. The notion of effectiveness refers to the relationship between the specified output. An organization, program or activity said to be effective if the resulting output can meet the stated objectives.

Pemendagri Nomor 21 Tahun 2011 states that the management of local government is the whole activity that includes planning, implementation, administration, reporting, accountability, and supervision of regional finances.

Variables are measured based on 3 (three) indicators as follows: (1) Completion of activities on time, (2) Completion of activities within the available budget limits, (3) Completion of activities in accordance with the planned.

### *4.2 Independent Variables*

#### *4.2.1. Implementation of regional financial accounting system*

According to the Minister of Home Affairs Regulation No. 21 of 2011, states that:

Regional Financial Accounting System (SAKD) is a series of procedures ranging from the process of data collection, recording, overview, up to financial reporting in order to account the implementation of APDB can be done manually or use computer applications.

#### 4.2.2. Government Internal Control System

According to the Peraturan Menteri Dalam Negeri Nomor 21 Tahun 2011 concerning the Guidelines on Local Government Management states that internal control is a process designed to provide adequate guidance regarding the achievement of local government objectives as reflected in the reliability of financial statements, efficiency and effectiveness of the implementation of programs and activities and compliance with regulations - invitation.

#### 4.2.3. Competence of Human Resources

According Mangkunegara (2005: 40), states that the competence of resources is a competence related to knowledge, skills, abilities and personality characteristics that directly affect the performance. Thus it can be concluded that the competence of human resources is the ability of individuals or individuals of an organization in carrying out its work based on skills and knowledge.

#### 4.2.4. Organizational Commitment

According to Lubis (2010), organizational commitment is often interpreted individually and related to employee involvement in the organization. The employee's commitment to the organization is one of the attitudes that reflects the likes or dislikes of an employee to the organization in which he works. Thus the commitment of employees to the organization can be summed up as a desire to remain a member of the organization, trust and acceptance of the values and goals of the organization, as well as the willingness to strive as best as possible and the interests of the organization.

### 4.3 Multiple Linear Regression Analysis

Data analysis conducted in this study using multiple linear regression. Multiple linear regression analysis used to measure the influence between the dependent variable and more than one independent variable (Ghozali 2011: 99). The multiple linear regression equation is as follows:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Description:

- Y = Effectiveness of Local Government Management
- $\alpha$  = Constants
- $b_1$  = Regression coefficient of Implementation of Regional Financial Accounting
- $b_2$  = Regression coefficient of government's internal control system
- $b_3$  = Regression coefficient of Human Resource Competence
- $b_4$  = Regression coefficient of Organizational Commitment
- $X_1$  = Implementation of Regional Financial Accounting
- $X_2$  = government's internal control system
- $X_3$  = Human Resource Competence
- $X_4$  = Organizational Commitment
- e = Error term

## 5. Result and Discussion

### 5.1. Data Quality Test Results

Based on the results of the test of the validity of variables Application of regional financial accounting system ( $X_1$ ), Government internal control system ( $X_2$ ), Human Resource Competence ( $X_3$ ), Organizational Commitment ( $X_4$ ), and Effectiveness of local financial management (Y) has corrected item - total Correlation greater than 0.224. This means that all statement items are declared valid. Based on the results of reliability testing The implementation of regional financial accounting system ( $X_1$ ), Government internal control system ( $X_2$ ), Human Resource Competence ( $X_3$ ), Organizational Commitment ( $X_4$ ), and Effectiveness of local financial management (Y) has a larger Cronbach's Alpha Than 0.6 so it can be stated all the variables in the study is reliable.

### 5.2. Normality Test Results

Normality test results in this research indicate that the value of Assymp Sig Kolmogorov-Smirnov (K-S) is more than 5% (0.05). It can be concluded that the overall data used in this study is normally distributed.

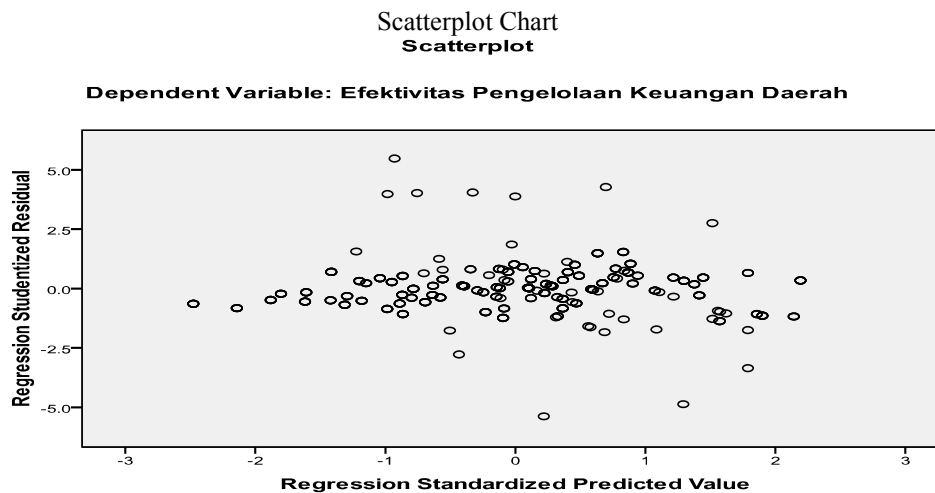
### 5.3. Classic Assumption Test Results

In this study obtained tolerance values  $\geq 0.10$  and VIF  $\leq 10$  so it can be concluded not to happen multicollinearity.

### 5.4. Heteroscedasticity Test Results

The result of heteroscedasticity test can be seen in the following figure:





Picture 2. Heteroscedasticity Test Result

From the scatterplot chart above it shows that the points spread randomly and its spread is either above or below the number 0 on the Y axis, then it can be concluded that there is no heteroscedasticity.

### 5.5. Coefficient Determination Test Results (Adjust R<sup>2</sup>)

Table 1. Determination Coefficient (R<sup>2</sup>) Analysis Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin- Watson
1	0.869 <sup>a</sup>	0.756	0.753	2,51584	1.636

Source: Process Data, SPSS 2017

To measure how big the relationship between the independent variables (X1, X2, X3 and X4) with the dependent variable (Y) is R value (correlation coefficient) in the table. The result by showing R (correlation coefficient) = 0,869 which means there is strong relation between independent variables with dependent variable equal to 86,9%.

R<sup>2</sup> (coefficient of determination) is a value indicating the ability of independent variables to explain the dependent variable, in this study R<sup>2</sup> of 0.753 which means that 75.3% variation (change) Y (audit quality) can be explained by the variation of independent variables (X1 , X2, X3 and X4) while the remaining 24.7% is explained by factors other than the model in this study.

### 5.6. Results of Multiple Linear Regression Analysis

Test results with IBM SPSS Version 20.0 software For hypothesis test using multiple linear regression statistic model is as follows:

Table 2. Multiple Linear Regression Test Results

Model		Coefficients <sup>a</sup>		
		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	33.64	2.893	
	Implementation of Local Government Financial Accounting System (X1)	0.188	0.036	0.234
	Government Internal Control System (X2)	0.121	0.021	0.18
	Human Resources Competence (X3)	0.28	0.041	0.296
	Organizational Commitment (X4)	0.305	0.038	0.349

Source : Data Process, SPSS 2017

From the table above, the equation is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

$$KA = 33.640 + 0,188(X_1) + 0,121(X_2) + 0,280(X_3) + (305)(X_4) + e$$

### 5.7. Hypothesis Testing Results And Discussion (t-test)

#### 5.7.1 The Effect of Implementation of Local Government Financial Accounting System on the Effectiveness of Local Government Management

Table 3. First Hypothesis Test Results

Independent Variable	t <sub>count</sub>	t <sub>table</sub>	Sig.	Description
Implementation of Local Government Financial Accounting System	5,199	1,984	0,000	H <sub>1</sub> Accepted

Source : Data Process, SPSS 2017

From the table, known that the value of the  $t_{table}$  is 1.984 at a significant level of 2.5% or 0.025. Based on regression test it can be seen that  $t_{count} > t_{table}$  is  $5,199 > 1,984$  with significance value obtained is  $0,000 < 0,05$ . From the test results can be concluded that the first hypothesis accepted. This shows that the implementation of Local Financial Accounting System has an effect on the effectiveness of Local Government Management. Means if the application of local financial accounting system a SKPD / OPD run well it will be more effective local financial statements on the SKPD / OPD.

This is because SAKD or regional financial accounting system contains about a series of procedures ranging from data collection, recording, overview, up to financial reporting in order to account for the implementation of APDB can be done manually or using computer applications. So if all procedures in the local financial accounting system is done well, then the financial statements are made will also produce good financial statements so as to create the effectiveness of local financial statements.

#### 5.7.2 The Effect of the Government Internal Control System on the effectiveness of local government management

Table 4. Second Hypothesis Test Results

Independent Variable	$t_{count}$	$t_{table}$	Sig.	Description
Government Internal Control System	5,835	1,984	0,000	H <sub>2</sub> Accepted

Source : Data Process, SPSS 2017

From the table it is known that the value of the  $t_{table}$  is 1.984 at a significant level of 2.5% or 0.025. Based on regression test it can be seen that  $t_{count} > t_{table}$  is  $5,835 > 1,984$  with significance value is  $0,000 < 0,05$ . From the test results can be concluded that the second hypothesis Local Government Management. Means if the Government Internal Control System of a SKPD / OPD runs well it will be more effective local financial statements on the SKPD / OPD.

This is because with the existence of government internal control system is expected to create conditions where there is a culture of control over all organizations and activities of the entity so as to detect the occurrence of early possibility irregularities and minimize the occurrence of actions that can harm the country / region. So if the control system runs well in an entity, then the financial statements made will be better and created the effectiveness of local government management.

#### 5.7.3 Effect of Human Resource Competence on the Effectiveness of Local Government Management.

Table 5. Third Hypothesis Test Results

Independent Variable	$t_{count}$	$t_{table}$	Sig.	Description
Human Resource Competence	6,904	1,984	0,000	H <sub>3</sub> Accepted

Source : Data Process, SPSS 2017

From the table it is known that the value of  $t_{count}$  is 1.984 at a significant level of 2.5% or 0.025. Based on the regression test can be seen that  $t_{count} > t_{table}$  is  $6,904 > 1,984$  with significance value obtained is  $0,000 < 0,05$ . From the test results can be concluded that the third hypothesis accepted. This shows that the competence of Human Resources Affect the Effectiveness of Local Government Management. Means if the human resources of a SKPD / OPD competently well then the better the local financial statements are made so that effectiveness of local financial statements on SKPD / OPD will be easily achieved.

This indicates that Human Resource Competence is a person or an employee working in a government agency that makes a local financial report on a SKPD / OPD. If the human resource understands the accounting of the public sector and is competent in preparing the regional financial report, the regional financial report will be made well so that the effectiveness of financial management can be achieved.

#### 5.7.4 The Effect of Organizational Commitment on the Effectiveness of Local Government Management.

Table 6. Forth Hypothesis Test Results

Independent Variable	$t_{count}$	$t_{table}$	Sig.	Description
Organizational Commitment	7,986	1,984	0,000	H <sub>4</sub> Accepted

Source : Data Process, SPSS 2017

From the table it is known that the value of  $t_{table}$  is 1.984 at a significant level of 2.5% or 0.025. Based on regression test can be seen that  $t_{count} > t_{table}$  is  $7,986 > 1,984$  with significance value obtained is  $0,000 < 0,05$ . From the test results can be concluded that the third hypothesis accepted. This shows that the Organizational Commitment has an effect on the effectiveness of Local Government Management. Means if the Organizational Commitment is good then it will be achieved the effectiveness of local government management.

## 6. Conclusions, Implications and Limitations of Research

### 6.1. Summary of Research Results

The study found that:

- Based on the results obtained from testing the first hypothesis proves that the Application of Local Government Financial Accounting System Influence on the Effectiveness of Local Government Management

- Based on the results obtained from testing the second hypothesis, proving that the Government Internal Control System influences the Effectiveness of Local Government Management
- Based on the results obtained from testing the third hypothesis, proves that the Human Resources Competence Affect the Effectiveness of Local Government Management
- Based on the results obtained from the fourth hypothesis testing, proving that the Organizational Commitment has an effect on the Effectiveness of Local Government Management

### 6.2. Implications

The results of this study are expected to be able to contribute to the government as a description of how the influence of the factors studied on the effectiveness of Local Government Financial Management in order to improve the Effectiveness of Local Government Management

### 6.3. Limitations of Research & Advice

- This research only uses the application of local financial accounting system, government internal control system, human resource competence and organizational commitment as an indicator.
- This research only uses the object of research SKPD / OPD in Bengkalis, Dumai, Pelalawan and Pekanbaru.
- This research is a survey method using questionnaires without complete interview with the respondent.
- For the next researcher is expected to spread the questionnaire is done when the examiner is in place and not at the time of doing the assignment in the field for the questionnaire obtained maximum.
- Further research should use research methods other than survey methods, such as interview methods that can be used to obtain two-way communication with the subject and get honest answers to the subject.
- Increase the number of research samples and expand the scope of the study.

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