

# The Influence of Government Internal Control System Maturity Level on The Quality of Financial Statement

*by Iriyadi Iriyadi*

---

**Submission date:** 12-Apr-2022 12:39PM (UTC+0700)

**Submission ID:** 1808580324

**File name:** SITIIT\_1.PDF (135.64K)

**Word count:** 3553

**Character count:** 19677

2  
**The Influence of Government Internal Control System Maturity Level on  
The Quality of Financial Statement**

Siti Ita Rosita<sup>1</sup>, Harry Suharman<sup>2</sup>, Iriyadi<sup>3</sup>, Winwin Yadiati<sup>4</sup> and Riska Novianti Wijaya<sup>5</sup>

*Padjadjaran University, Indonesia*

**Abstract.** *The motive of this check have become to benefit empirical proof in Indonesia about the impact of the maturity stage of the inner manipulate device of government (GICS) at the satisfactory of monetary reporting. This type of studies is explanatory the use of regression analysis. Measuring the quantity of adulthood of inner controls the use of assessments manage the adulthood of internal performed by way of the financial Supervisory business enterprise (BPKP) as an inner auditor Indonesian government, at the same time as a proxy to measure the extraordinary of monetary statements the use of the audit opinion on the economic statements of community governments achieved with the aid of manner of the Audit Board of the monetary (BPK) because the outdoor auditor of the government. This have a look at uses secondary statistics for two consecutive years in 2016 and 2017. based on facts from a pattern of 48 neighborhood government had been decided on randomly from the 5 pulace, the outcomes showed that the maturity degree of inner manipulate implementation the government has a powerful effect on the high-quality of financial reporting. however, the evaluation results additionally show incredibly a lot less strongly suggests that there are elements apart from the level of adulthood of the inner manipulate gadget to strengthen their have an impact on on the extremely good of monetary statements in Indonesia. As COSO recognizes, inner control has a few boundaries, together with factors along with human blunders, control override and collusion (Graham, 2015: sixteen). The results also suggest that extra studies ought to take greater samples and growth other variables along with those noted above.*

**keywords:** *authorities internal control system maturity level, great of monetary Statements*

### 1.Introduction

responsibility of the use of price range income and costs by way of community governments contained inside the monetary statements of neighborhood government (LKPD). To make sure the fairness of financial statements and compliance with government accounting requirements, the economic statements want to be tested through the preferred Audit institution (Audit Board). Transparency and responsibility in the control of country budget is the precept purpose of presidency financial responsibility document. In an try and enhance transparency, obligation and monetary manipulate of the u . S . A .'s performance, a system capable of adequate self guarantee that the activities in government companies has been executed efficaciously, successfully, and reliably referred to (Sutaryo and Dedi Sinaga, 2018). Implementation of government internal control machine (GICS) in Indonesia started while the government regulation No. 60 of 2008 emerge as issued. One technique to degree the fulfillment or, in other words, the effectiveness of internal manipulate adulthood version. maturity version is a systematic size to explain and supply an reason for the additives of the machine is assumed to be transferring within the direction of a higher output and effects. Low maturity level implies a lower opportunity of success in attaining the dreams and a better degree of maturity because of this a better chance of success (IIA, 2013). GICS low degree of adulthood that indicates the opportunity of low success of desires (IIA, 2013). primarily based on community government financial audit with the resource of the supreme Audit institutions (CPC) for the duration 2016 and 2017, the variety of inner control findings are despite the fact that high, which in 6053 in 2016 and 6222 in 2017. The average GICS maturity level in the town and county governments stays low, and it's far expected that the target of growing the quantity of adulthood at degree three can be completed in accordance with government objectives set out within the national Medium time period development Plan 2015-2019.

studies on the effectiveness of inner control has been accomplished through several researchers. Xu and Gao (2015) to examine the elements that have an impact at the effectiveness of inner control using corporate governance angle. in the meantime, Khlif and Samaha (2016) studying the impact of interest of the audit committee and out of doors auditors at the size of inner nice manage. studies by way of the use of Sutaryo and Dedi Sinaga (2018) is about authorities internal control machine maturity: The position of external and inner manipulate steerage local authorities in Indonesia.

## 2. system for Submission of papers

### 2.1 evaluation level

inner manipulate is a system, suffering from an entity of the board of administrators, management and different employees, designed to provide lower priced assure of achieving the goals related to operations, reporting, and compliance (COSO, 2013). Definition of inner manipulate device in accordance with the Indonesian authorities regulation No. 60 of the one year 2008 fund<sup>14</sup>ental manner in movement and activities which are completed continuously thru the control and all personnel<sup>12</sup> provide an adequate diploma of confidence in attaining organizational dreams thru powerful and efficient, the reliability of reporting finance, country assets management, and compliance with legal guidelines and pointers. One method for measuring the effectiveness of inner control is a adulthood version. in keeping with the IIA (2013), a model of adulthood is the systematic measurement to describe and deliver an cause of the components of the method is thought to be transferring closer to a higher output and effects. suggests that the concept of adulthood in a company geared closer to directing the enterprise to advantage the simplest intention. To determine the effectiveness of the implementation of GICS, a few indicators, tactics, and strategies need to be established. appropriate signs have to be chosen to allow an high-quality assessment of the effectiveness of the GICS. Attributes reliability of inner controls custom designed to be a hallmark of maturity execution GICS (Andersen and Jessen, 2003 in Sutaryo and Dedi Sinaga, 2018). The GICS diploma of adulthood execution describe their rank or adulthood shape of its implementation with exceptional tendencies from one degree to some other. Low maturity stage implies a lower probability of achievement in attaining the desires, and higher adulthood stage manner a higher possibility of fulfillment (IIA, 2013). As an inner manage is a part of the management way of planning, implementation and monitoring, the quality rankings of the internal control device can help offer cheap assurance that the organization deliver the predicted outcomes. as a consequence, GICS on the maximum efficient diploma is one key to ensuring that assets are used with priority to improve the welfare of the community (EC, 2014: three).

**Table 1. Government Internal Control System (GICS) Maturity Level**

Maturity Level	Maturity Category	Level Characteristics
0	Absent	Ministry / Agency / Local Government has not at all have any policies and procedures required to conduct internal control practices.
1	Initiated	There are internal control practices, but the risk and control approach needed still in the form of ad-hoc and disorganized, without communication and monitoring results in weakness into unknown.
2	Developing	Ministry / Agency / Local Government has implemented internal control practice, but is not well documented and implementation is very depending on the individual and does not involve all organizational units. Control effectiveness has not been evaluated, so many flaws to have not been adequately addressed.
		Ministry / Agency / Local Government has implemented internal control

3	Defined	practice and it is well documented. However, such internal evaluation Control is done without adequate documentation.
4	Managed and Measured	Ministry / Agency / Local Government has implemented internal control effective, with each executing personnel activities to keep yourself control activities towards achieving the objectives of the activity as well as the objectives of the Ministry / Agency / Local Government. evaluation is conducted a formal and well documented.
5	Optimal	Ministry / Agency / Local Government has implemented internal sustainable control, integrated in the performance of their activities and is supported by an automated monitoring using computer applications.

Source : Regulation of BPKP Chief Number 4 Year 2016 on Guidelines for Assessment of and Strategy to Improve GICS Maturity

## 16 2.2 Government Internal Control System Maturity Level and Quality of Financial Statement

A good internal control system helps organizations prevent fraud, errors and minimize waste. Strengthened asset security; guarantee management 3 the reliability of accounting data and help maintain adequate and reliable accounting records. (Amudo and Inanga, 2009). Mawanda (2008), states that there is a general perception that institutions and the correct enforcement of internal control systems will 9 ways lead to improved financial performance. A well-implemented internal control system will improve the reporting process and also generate reliable reports that enhance the management accountability function of an entity.

Implementation of the Government's Internal Control System (GICS) in government work units is carried out by creating and maintaining a control environment that creates positive attitudes and performance in achieving organizational goals; provide an assessment of the risks faced by the work unit, both external and internal risks; ensure that the direction of the leadership with regard to organizational goals has been carried out effectively and efficiently; communicating accurate and accountable information in a timely manner, utilizing effective means, and constantly updating information according to developments; and monitoring all organizational activities as an evaluation material for improving organizational performance (Nunung Suhaeti et al, 2015). Nunuy Nur Afiah et al (2015) states that the implementation of GICS has a significant and positive effect on the quality of financial reporting. Increasing supervision of GICS is an important part of the quality of financial reporting in local governments.

7 Nunung Suhaeti et al (2015) found that there is a positive influence between the implementation of the Government Internal Control System (GICS) on the quality of financial reports in the Regional Government. Sahabi Ibrahim et al (2017) also found that there is a positive relationship between internal control and financial performance of institutions. Cecilia Lelly Kewo and Nunuy Nur Afiah (2017) also found that the internal control system has a positive effect on the quality of financial statements. Internal control systems affect the quality of financial statements. The implementation of internal controls has an effect on the financial accountability of local governments in Indonesia. The better the implementation of internal control, the better the financial accountability of local governments.

5  
**Hypothesis :** Government Internal Control System Maturity Level has positive effect on the quality of financial statement

### 3. Math

The type of study is explanatory research using quantitative method from secondary data provided by BPKP and BPK. The regression analysis uses STATA software for the data processing.

#### 3.1 Variable Operationalization

This research using single variable for dependent variable and independent variable respectively.

Explanation for each variables are shown in table 2.

**Table 2. Research Variable**

Number	Variable	Variable Type	Operational Definition
1	GICS Maturity Level	Independent	Score of GICS maturity from the results of assessment by BPKP: Level 5 (score 1), Level 4 (score 2), Level 3 (score 3), Level 2 (score 4), Level 1 (score 5), Level 0 (score 6)
2	Quality of Financial Statement of Local Government	Dependent	Category of opinion on Financial Statement of Local Government: Unqualified opinion (score 1), Qualified (score 2), Adverse (score 3), Disclaimer (score 4)
3	Local area	Control	Category: Regencies (score 0), Municipal (score 1)

### three.2 population, sample and Sampling strategies

The populace in this take a look at had been all local governments in Indonesia that GICS adulthood assessed by the BPK in 2016 and 2017. The samples have been taken by using using simple random sampling. The number of samples accumulated and may be used is forty eight in 2016 and 2017 because a number of them do now not have the adulthood degree assessment. the total amount of statistics for the two years is ninety six devices as shown in table 3.

**Table 3. Result of Data Sample Selection**

Number	Description	Total
1	Local Governments in West, Central and East Java Province (regencies and municipalities) 2016 and 2017	200
2	Local Governments against which no GICS maturity assessments are conducted until 2016	-104
<b>Number of samples used in research</b>		<b>96</b>

As mentioned earlier, the data type of this research are secondary data, i.e. in reference to the information collected by individual or others than the researchers conducting this research (Sekaran and Bougie, 2013). Table 4 shows detail about the research data and it's source.

**Table 4. Data and Source of Data**

No.	Data	Source Data
1	Opinion of Financial Statement of Local Government made by SAI (BPK RI)	Overview of 2018 The First Semester Audit Results of SAI (BPK) (Website of BPK RI)
2	Score of Local Government's GICS Maturity	Report of BPKP RI Performance Accountability for the periode 2016 and 2017 (Website of BPKP RI)

### three.three facts evaluation approach

The statistical device used in this look at is the STATA software program application to decide the amount of the internal control machine of the adulthood stage of presidency in the excellent of economic reporting. The cause the writer the usage of STATA software application inside the processing of the records is that almost all the statistical assessment may be done with STATA.

Regression fashions have been used to check the hypothesis on this examine are:

quality of monetary reports =  $\alpha + \beta_1 + \beta_2$  GICS maturity level close by region + mistakes  
 be aware:

- satisfactory of financial Statements is a score of the extent of remarkable shown via the audit opinion
- GICS adulthood is the score of the internal manage machine of presidency
- neighborhood area classes: district (0), town (1)

### four. consequences and dialogue

Regression evaluation modified into used to provide you with a version expressing the speculation dating among the impartial variables (inner manipulate machine of the maturity diploma of government) and the mounted variable (the exceptional of the monetary Statements).a number of the assessments used classical assumptions which encompass normality, multicollinearity and heteroscedasticity. In a check for normality using Shapiro take a look at Francia, the results show that the records are usually dispensed. every other classic assumption check autocorrelation and multicollinearity eat moreover show that that the information are loose from classical assumptions.

**13**  
**Table 5. Descriptive Statistic**

Variable	N	Mean	Std. Dev	Min	P50	Max
Audit Opinion	96	1.104167	.3070802	1	1	2
GICS Maturity	96	4.3125	.837446	3	5	5
Local area	96	.2083333	.4082483	0	0	1

Based on the simultaneous test of F test (Table 6), it is shown that the value of Prob > F model is 0.0122 (level of significance of 5%), so that the overall independent variable in this study can influence the quality of financial statement. Thus, this research model is fit for this research model. The research model that has R squared 0.0619 can show the suitability of the research model in explaining the population is 6.19%.

**Table 6. Result of Regression and Hypothesis Test Analysis**

Variable	Coefficient	t-value	p-value
Constant	.683266	5.22	0.000
GICS Maturity	.0951685	2.87	0.005*
Local area	.0503353	0.63	0.528
R <sup>2</sup> = 0.0619;		F=4.62;	Sig (F) = 0.0122

The test results are proven in table 6 and is the reason that the regression equation has an R-square of 0.0619. primarily based on table 6, the regression take a look at effects show that the coefficient cost of the have an effect on of GICS maturity at the awesome of monetary statements is zero.951685 with p fee zero.zero.five (p-cost> 0.1) and coefficient value of nearby area variable is 0.503353 with p price 0.528 (p-price> zero.1). as a result, the speculation in this look at is suitable, specifically that the adulthood of GICS variable has a effective effect on the first-class of monetary statements as p-price of zero.half of (big).

The consequences of this observe is that the implementation of GICS has a excellent impact on the exceptional of financial announcement supports a few previous research results, which includes Nunuy Nur Afiah et al (2015), Nunung Suhaeti et al (2015), Cecilia Lelly Kewo (2017), Sahabi Ibrahim et al (2017), Cecilia Lelly Kewo and Nunuy Nur Afiah (2017). With the excessive first-rate have an effect on of GICS maturity stage on the notable of economic assertion, counseled that the better the software of GICS, the higher the impact on the extremely good of economic announcement.

### 5.conclusion and Implication

This research proved empirically research that the GICS adulthood degree has a best impact at the notable of monetary assertion. With the fine have an effect on of the authorities inner control device maturity level at the high-quality of financial assertion, it technique that the higher the utility of GICS, the higher the impact at the incredible of monetary declaration.the results of this examine can also help the software of government regulations, specially government regulation variety 60 one year 2008 and regulation of BPKP leader range four twelve months 2016. the limitations on this study is small sample and the R2 can be very low as there's a few boundaries of inner control, which includes collusion, manage override, and human errors. consequently, for similarly research it is cautioned to apply large samples, and upload some different variables to triumph over the issue of an effective GICS.

### References

1. Amudo, A., & Inanga, E. L. evaluation of internal control structures: A case look at from Uganda, global studies magazine of Finance and Economics, ISSN1450-2887. 2009.
2. Andersen, E. S. And S. A. Jessen. 2003. challenge maturity in businesses. global journal of assignment management, 21 (6), 457-461.
3. Cecilia Lelly Kewo. The impact of internal manipulate Implementation and Managerial performance on monetary duty neighborhood authorities in Indonesia. worldwide magazine of Economics and economic issues ISSN: 2146-4138. 2017.

4. Cecilia Lelly Kewo, Nunuy Nur Afiah. Does satisfactory of monetary declaration Affected via inner manipulate system and internal Audit? international journal of Economics and financial problems, Vol 7 No 2 (2017)
5. COSO. 2013. inner control-integrated Framework, govt summary. Jersey city : Committee of Sponsoring groups of the Treadway fee.
6. EC. 2014. Public inner manipulate structures in the european Union Optimising internal control via overall performance control dialogue Paper No. 1. Public inner manage an eu method Ref. 2014-1 European commission.
7. financial and improvement Supervision enterprise (Badan Pengawasan Keuangan dan Pembangunan Republik Indonesia). 2016. performance duty file.
8. financial and improvement Supervision employer (Badan Pengawasan Keuangan dan Pembangunan Republik Indonesia). 2017. performance duty report.
9. authorities law number 60 year 2008 : authorities internal control machine
10. Graham, Lynford. 2015. internal manipulate Audit and Compliance. Documentation and Testin. beneath the brand new COSO Framework Copyright © 2015 with the resource of JohnWiley & Sons, Inc.
11. Indonesian supreme Audit organization (Badan Pemeriksa Keuangan Republik Indonesia). evaluate of 2018 the first Semester Audit result. Jakarta, September 2018
12. Khlif, H. And ok. Samaha.. Audit committee interest and inner control outstanding in Egypt: does outside auditor's size depend?. Managerial Auditing journal, 31 (3), 269-289. 2016
13. Mawanda, S. P. consequences of inner manipulate structures on financial performance in an institution of better learning in Uganda: A case of Uganda Martyrs college, Unpublished thesis, Uganda Matyrs university. 2008.
14. Nunung Suhaeti et al. impact of presidency Accounting requirements (SAP) and authorities inner control system at the pleasant of economic Statements within the local government of Kuningan Regency. JRKA quantity 1 issue 2 Agustus 2015: ninety – one hundred and five. 2015.
15. Nunuy Nur Afiah and Peny Cahaya Azwari. The effect of Implementation of government internal manage device at the fine of financial Reporting of The nearby authorities and Its impact on the ideas of accurate Governance. Social and Behavioral technological know-how 2015.
16. regulation of BPKP chief number 4 year 2016 on tips for assessment of and approach to enhance GICS (SPIP) adulthood
17. Sahabi Ibrahim. The effect of internal manage systems on economic overall performance: The Case of health establishments in upper West place of Ghana. international magazine of instructional studies in commercial enterprise and Social Sciences. Vol. 7, No. four ISSN: 2222-6990. 2017.
18. Sekaran, Uma & Roger Bougie. studies techniques for business: A skill building approach. 6th version.
19. US:John Wiley & Sons Ltd. 2013.
20. Sutaryo and Dedi Sinaga. authorities internal manipulate gadget maturity: The role of internal steerage and outside control of local government in Indonesia. Jurnal Akuntansi dan Investasi, Vol. 19 No. 1, Hlm: 24-35 Januari 2018.
21. Xu, X. And L. Gao. An empirical examine at the factors affecting the effectiveness of Iinternal manipulate of indexed agency-based totally on the mind-set of corporation governance. international magazine of Auditing, 12
22. (4), forty five-fifty three. 2015.



# The Influence of Government Internal Control System Maturity Level on The Quality of Financial Statement

## ORIGINALITY REPORT

11%

SIMILARITY INDEX

8%

INTERNET SOURCES

7%

PUBLICATIONS

9%

STUDENT PAPERS

## PRIMARY SOURCES

1	Submitted to Universitas Brawijaya Student Paper	4%
2	Submitted to Management & Science University Student Paper	1%
3	Submitted to Mount Kenya University Student Paper	1%
4	Wahyu Setyawan, Rindu Rika Gamayuni. "The Quality of Financial Reporting and Internal Control System before and after the Implementation of E-budgeting in Indonesia Local Government", Asian Journal of Economics, Business and Accounting, 2020 Publication	1%
5	<a href="http://ejournal.stiepena.ac.id">ejournal.stiepena.ac.id</a> Internet Source	1%
6	<a href="http://www.ijssred.com">www.ijssred.com</a> Internet Source	1%
7	<a href="http://www.ejbmr.org">www.ejbmr.org</a>	

Internet Source

1 %

8

Submitted to Kenyatta University

Student Paper

<1 %

9

Submitted to Rivers State University of  
Science & Technology

Student Paper

<1 %

10

Bambang Pamungkas, Reisyah Ibtida, Cendy  
Avrian. "Factors Influencing Audit Opinion of  
the Indonesian Municipal Governments'  
Financial Statements", Cogent Business &  
Management, 2018

Publication

<1 %

11

Submitted to Nottingham Trent University

Student Paper

<1 %

12

[www.jp.feb.unsoed.ac.id](http://www.jp.feb.unsoed.ac.id)

Internet Source

<1 %

13

[www.sibresearch.org](http://www.sibresearch.org)

Internet Source

<1 %

14

Raisa Lestari. "The ANALYSIS OF THE QUALITY  
INFLUENCING FACTORS OF REGIONAL  
GOVERNMENT FINANCIAL REPORTS AND THE  
IMPLICATION TOWARDS THE GOVERNMENT  
EMPLOYEE PERFORMANCE OF LAMPUNG  
PROVINCE GOVERNMENT", International

<1 %

# Journal of Economics, Business, and Entrepreneurship, 2021

Publication

---

15

[www.techniumscience.com](http://www.techniumscience.com)

Internet Source

<1 %

---

16

Dian Anita Nuswantara, Ach Maulidi. "The efficacy of control environment as fraud deterrence in local government", *Management & Marketing*, 2017

Publication

---

<1 %

---

Exclude quotes      On

Exclude matches      Off

Exclude bibliography      On