The Accountability of Regional Financial Management Amid Covid-19 Pandemics  
(Study at Riau Province Government)  

Annie MustikaPutri*, Dian Puji Puspita Sari12  
12Universitas Muhammadiyah Riau, Jalan Tuanku Tambusai, Kota Pekanbaru, Riau, 28291  
*annemustika@umri.ac.id and 08117670291

ARTICLE INFO

Received: (disi oleh editor)  
Received in revised: (disi oleh editor)  
Accepted: (disi oleh editor)  
Published: (disi oleh editor)  

Abstract

This research aims to identify the factors that influence the accountability of regional financial management amid pandemics. Specifically, this research is focused on the influence of internal control systems, and financial report accessibility towards the accountability of regional financial management amid the pandemics of Covid-19. 87 government’s employees of Riau Province are involved as samples, who are directly elaborated in regional financial report management, namely Head of Department/Agency, Head of Sub-Division in Financial, Head of Sub-Division in Program, Planning, and Report. Primary data, in the form of research respondent’s perceptions (subject) through survey, are required for research data. Data collection employs a direct survey with a questionnaire as the selected instrument. The quantitative method is utilized as the research method. For data analysis, Statistical Product and Service Solutions (SPSS) Version 25 is used. Based on the result of the research, it is revealed that the internal control system and financial reports accessibility, partially have a positive and significant influence on the accountability of regional financial management.  

Keywords: Accountability of Financial Management, Internal Control System, Financial Report Accessibility

1. Introduction

Recently, problems in Indonesia attract more public attention, specifically for the last several years amid Covid-19 pandemics in its correlation to the regional financial management accountability. The demand for budget transparency is highly considered by the public as information users, in which they could easily access the information for complete and transparent performance accountability at public agencies, particularly in activities related to funding originated from State Budget Revenue and Expenditures/Anggaran Pendapatan dan Belanja Negara (APBN) and Regional Budget Revenue and Expenditures/Anggaran Pendapatan dan Belanja Daerah (APBD), as well as the grants or contributions from society and overseas.

Accountability in regional financial management is a process of planning, implementation, administration, responsibility, and controlling in regional financing. Society has the right to access financial management, as well as to ask for reports on its application and implementation. Therefore, the government must be able to improve the accountability of regional financial management for fair and transparent relevant information to the public (Superdi, 2017).

For the past several years, society has been exposed to issues and conditions, in which the Organization of Regional Devices (OPD) in Indonesia are reported with the predicate of Reasonable Without Exception (WTP) for their financial reports, yet many Heads of Regions and their officials have been arrested by Corruption Eradication Commission (KPK) for practicing the inappropriate conducts. The report from the assessment result for Riau Province Government also comes up with the Reasonable Without Exception (WTP) opinion from Financial Audit Board (BPK) on its Regional Government Financial Report (LKPD) 2020 (Reymond, May 3, 2021, bpkad.riau.go.id). It indicates that Riau Province Government has maintained the achievement for six years in a row, from 2015 – 2020. The predicate from BPK has become one of the indicators to measure whether the government’s financial performance of Riau Province Government has met the standard of Government’s accounting and qualitative characteristics (riau.bpk.go.id, 2021). The public perceives that the opinion of WTP reflects the proper budget allocation, yet BPK has confirmed repeatedly that the WTP opinion is not a guarantee for the absence of corruption. The WTP opinion simply represents a BPK statement on state/regional financial management, including the accountability of each agency’s financial management.

* Corresponding author  
E-mail addresses: xxx@XXX.ac.id (XXXX)

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Concerning this condition, the Riau Province Government should push and emphasize strong system improvement to obtain the financial report output, which is proper, accountable, and error-free. As regulated in the Government Constitution No. 60 of 2008 that regulates internal government's control system, it is expected, with the existence of the regulation, the government could manage to increase the regional government’s financial accountability from the previous report.

In accordance with the Covid-19 budget, issued from 2020 until recently, the government tries to make adjustments in policies for dealing with the virus but it comes up with problems related to the government’s accountability and transparency in publicizing the budget that has been disbursed.

Government Regulation in the Lieu of Law No. 1 of 2020, followed by the President's Instruction No. 4 of 2020 becomes the foundation of refocusing policy implementation and reallocation of the government's budget, as mandated by the law. The budget is allocated to fund the health, social security network, and economic recovery. Even though all regions have allocated this, the commitment for budget allocation and its implementation is not considered as maximum. Riau Province and its regencies/city are sanctioned for a delay of the General Allocation Budget (DAU) as many as 35 percent as determined by the Ministry of Finance Decree No. 110 of 2020 for unable to comply with the minimum requirements in allocating the COVID-19 budget or equal with the 35 percent of good/service and capital expenditures, and the delay of reporting the refocusing policy result to government.

Aside from unmaximized budget management, the implementation of budget allocation also experienced issues. Until August 31, 2020, only 48 percent of the 447 billion rupiahs COVID-19 fund has been distributed. Until recently, the allocation for Social Security Net (JPS) was 100 percent unfulfilled due to data issues, which it should be distributed to people already. While for National Economic Recovery (PEN), the program allocation has not been fulfilled at all (littrariau.org, 23 September 2021). This phenomenon triggers doubt towards the accountability of Riau Province financial management

Several factors influence the region government financial accountability, among others is The Internal Control System (SPI) which is defined as the integration process on actions or activities, which is continuously conducted by the leaders and employees to gain proper confidence in the achievement of organizational goals through the implementation of effective and efficient activities, financial report reliability, asset security, and the obedience towards law and regulation. The implementation of proper internal control will provide credence to quality or report reliability that leads to stakeholder’s trust (Mahrudi, 2011: 251).

The next factor, the accessibility to financial reports is one of the efforts to objectify good governance. The regional government should put forward transparency and accountability on all activities that involve the regional budget. Financial report accessibility is considered as someone's ease in accessing the information corporated to financial report (Mardiasmo, 2006).

The research conducted by Sari (2017) revealed that Internal Control System (SPI) influences transparency and accountability to regional financial management. While research performed by Artini dan Putra (2020) stated that Internal Control System does not influence regional financial accountability. The research conducted by Putri (2017) explained that financial report accessibility influences regional financial management. While the research by Mulyanto et al (2021) specified that financial report accessibility does not influence the accountability of regional financial management.

The above explanation proves that regional financial management is less accountable due to the existing issues in many sectors in the Indonesian government, particularly in Riau Province. Many information regarding the Riau Province's less-accountable financial management and previous research inconsistency, allow the researcher to conduct a deeper study on regional financial management accountability amid the Covid-19 pandemic.

After defining the existing problem and main focus of the research, then the problem formulation is explicated, as follows: Will the internal control system influence regional financial management accountability in Riau Province government? And, Will the financial report accessibility influence the regional financial management accountability in Riau Province government?

2. Study Literature and Hypothesis

Agency Theory

Agency theory is a theory first introduced by Jensen dan Meckling (1976), which aims to resolve problems that emerged in the agency relationship. According to Jensen dan Meckling (1976), an agency relationship involves a contract between one or more principles with others (agents) to perform a certain task for the benefit of the principal. The agency theory could be related to research in which a government is positioned as an agent and provided with trust to manage the finance and must give the best service to people who act as the principal. The service is in the form of financial report accountability, later can be employed as a guidance for decision making.

Stewardship Theory

Stewardship theory was first introduced by Donaldson & Davis, n.d. (1991) that described the objective of management for not only focused on the individual goals but also addressed to organization main objective. This theory implicates the existence of regional government (steward) in performing its task, function, and responsibility by exercising all abilities and capabilities. Maintaining the main task and functions by upholding integrity and honesty to meet people’s ultimate prosperity (principal). The regional governance (steward) is required to practice good governance.
Accountability in Financial Management

According to Khusani (2018:71) accountability is considered as the core of the budgeting process that makes the officials, who are assigned with budget implementing and responsibility, later could reveal how people’s funds are treated. While, the regional financial management could be defined as entire activity that covers planning, implementation, administration, reporting, responsibility, and controlling towards regional financial management (Khusani, 2018:2). According to Mardiasmo (2006), regional financial management accountability is the obligation of the regional government to provide accountability, present, report, and socialize the whole activities that are related to the acceptance and the utilization of public funds, to the party who owns the right and authority for accessing the accountability report, which is the House of Representatives and society.

Internal Control System

According to Mahmudi (2011; 251), internal control is defined as a continuous process and activities, performed by the leaders and staff to provide sufficient confidence in the achievement of organizational objectives through effective and efficient activity, financial report reliability, asset security, and obedience to law and regulation.

The statement is supported by the research conducted by Sari (2017) and Antika (2020) who argued that the internal control system influences regional financial management. Therefore, if the control system towards regional financial management process is executed well by the leaders and their staff, it will lead to the reliable and informative financial report, the existence of state’s asset security, and guarantee the obedience of all government’s agencies to law and regulations. Hence, the first hypothesis can be formulated, as follows:

\[ H_1: \text{The internal control system influences the regional financial management accountability.} \]

Accessibility of Financial Report

The accessibility of a financial report is explained as someone’s ease to access information about the financial report (Mardiasmo, 2006). The Regulation of the Ministry of Home Affairs No. 13 of 2006, explained that financial report accessibility is the ability to provide access for stakeholders to know or to gain easy and cheap information about financial reports. It means that the government should provide wide and easy access to the financial reports that have already been issued.

According to the research conducted by Putri (2017) regional financial report accessibility influences significantly towards regional financial management accountability. This is aligned with the research conducted by Kurniawan dan Rahayu (2019) stated that financial report accessibility has a significant influence in a positive way simultaneously and partially towards financial management accountability, in the Regional secretariat of Mataram City, 2018. Therefore, if the financial report accessibility is good, the accountability of the financial report will be better due to the openness and easiness of accessing it. Therefore, the second hypothesis could be revealed, as follows:

\[ H_2: \text{The accessibility influences the regional financial management accountability.} \]

Conceptual Framework

Based on these problems, there are various factors that can affect the accountability of local government financial management. One of them is the internal control system which is a process that is influenced by human resources and the accessibility of financial reports which is one of the efforts in realizing good governance. Based on the explanation that has been stated previously, this research is to find out whether the Internal Control System (X1) and Accessibility of Financial Statements (X2) affect Regional Financial Management Accountability (Y). The Thought Framework in this study shows the direction of the research carried out by the author and is described in the following scheme:

\[ \text{Internal Control System (X1)} \rightarrow \text{Accessibility of Regional Financial Management} \rightarrow \text{Accountability of Regional Management} \]

Source: Processed Data (2021)

Figure 1 Conceptual Framework

3. Methodology

This research is an empirical study that employs the quantitative method since it is presented by numbers. The data collection uses a questionnaire that is directly distributed to respondents, as primary data that is defined as a direct data source, which contributes data collection with relevant, reliable, and objective data as a basis of the analysis process (Sugiyono, 2017:142).

In the implementation of research, the researcher employed a population of all agencies and departments in the Riau Province government, which consists of 29 OPD. government’s employees of Riau Province are involved as samples, who are directly involved in regional financial report management, namely Head of Department/Agency consisting of 29 people, Head of Sub-Division in Financial of 29 people, Head of Sub-Division in Program, Planning, and Report 29 people. They are responsible for composing the qualified financial report and considered that all managerial elements have proper knowledge on regional financial management accountability as well as have the authority to conduct the internal control. Later, 87 samples are included in this study.
Definition of Operational and Variable Accountability of Regional Financial Management

The dependent variable in this research is the accountability of regional financial management symbolized with \( Y \). According to Khusani (2018:71), accountability is the core of the budgeting process that makes the officials, who are assigned with budget implementing and responsibility, later could reveal how people’s funds are treated. The measurement on the variable of financial report quality employs the question instrument by using Likert scale with five alternatives, as follows: Strongly Agree (SS), Agree (S), Less Agree (KS), Disagree (TS), and Strongly Disagree (STS).

Internal Control System

According to Mulyadi (2017:129), the internal control system covers the organizational structure, coordinated methods, and measurement to maintain the organization asset, to check the accuracy and reliability of accounting data, to motivate the obedience to management policy. Likert scale of attitude is used using interval measurement scale, under the following scoring: Strongly Agree (SS), Agree (S), Less Agree (KS), Disagree (TS), and Strongly Disagree (STS).

Accessibility of Financial Report

Accessibility in the perspective of spatial is the condition or the existence of connection from one place to another place, or someone’s or vehicle’s easiness to transport from one location to another, safely, comfortably with the reasonable speed. Financial report accessibility is defined as someone’s easiness to access information about a financial report. Likert scale of attitude is used using interval measurement scale, under the following scoring: Strongly Agree (SS), Agree (S), Less Agree (KS), Disagree (TS), and Strongly Disagree (STS).

Analysis Method

Data are analyzed by using the double linear regression analysis technique with the support of SPSS version 25. The technique is employed to identify the influence of the Internal Control System and Accessibility of Financial Report towards the Accountability of Regional Financial Management amid Covid-19 pandemics in Riau Province. By that, it later can be determined the equation for the double linear regression, formulated as follows:

\[
Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e
\]

Description:

\( Y \) = Accountability of Regional Financial Management

\( \alpha \) = Regression constant

\( \beta_1, \beta_2 \) = regression coefficient of free variables

\( X_1 \) = Internal Control System

\( X_2 \) = Accessibility of Financial Report

\( e \) = Residual Value

The hypotheses test is executed to assess the appropriateness of theoretical concept with the regression of processing results by involving the regression coefficient and significance level of each variable on accountability of regional financial management, as a basis. This test utilizes a T-test by comparing it on a 5% probability scale.

Before performing the hypotheses test, a classic assumption test was previously conducted to determine whether the econometrics in the regression model has demonstrated significant representation and correlation. The tests that should be performed are normality, multicollinearity, and heteroscedasticity test.

Results and Discussion

Descriptives Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
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<td>Internal Control System</td>
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<td>31.00</td>
<td>40.00</td>
<td>34.9310</td>
<td>2.70139</td>
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<td>30.00</td>
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<td>2.48573</td>
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<tr>
<td>Accountability of Regional Financial Management</td>
<td>87</td>
<td>26.00</td>
<td>35.00</td>
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<td>2.20537</td>
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<tr>
<td>Valid N (listwise)</td>
<td>87</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Normality Test

From the Normal PP Plot picture above, it can be seen that the points spread around and follow a diagonal line. Thus, it can be interpreted that the regression models meet the assumption of normality.

Multicollinearity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Collinearity Statistics</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Tolerance</td>
<td>VIF</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.985</td>
<td>1.015</td>
</tr>
<tr>
<td>Internal Control System</td>
<td>.985</td>
<td>1.015</td>
</tr>
<tr>
<td>Accessibility of Financial Report</td>
<td>.985</td>
<td>1.015</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Accountability of Regional Financial Management
From the table above, the VIF value of all independent variables is < 10 and tolerance > 0.10. It can be interpreted that the regression models are free from multicollinearity.

**Heteroscedasticity Test**

![Scatterplot](image)

From the scatter plot image above, it can be seen that the points do not form a certain pattern and spread randomly above and below the number 0 on the Y-axis. It can be interpreted that there is no heteroscedasticity in the regression models of this study.

**Partial Regression Coefficient Test**

**Coefficients**

<table>
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<tr>
<th>Model</th>
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<th>Standardized Coefficients</th>
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<tr>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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<tr>
<td>1 (const)</td>
<td>2.368</td>
<td>1.9</td>
<td>1.226</td>
<td>.22</td>
</tr>
<tr>
<td>Internal Control System</td>
<td>.405</td>
<td>.04</td>
<td>.497</td>
<td>8.646</td>
</tr>
<tr>
<td>Accessibility of Financial Report</td>
<td>.563</td>
<td>.05</td>
<td>.635</td>
<td>11.05</td>
</tr>
</tbody>
</table>

**The Influence of Internal Control System towards the Accountability of Regional Financial Management**

The result of the first hypothesis indicates that the internal control system has a significant positive influence on the accountability of regional financial management. The coefficient value for the internal control system is 0.405. It means that each 1 unit improvement of the internal control system will increase 0.405 accountability of financial management, vice versa, with others that are assumed as fixed variables. This result demonstrates that the better the internal control system applied by the regional government, the better accountability for its regional financial management. Its correlation to stewardship theory is the nature of a human being that is trustworthy, full of responsibility, integrity, and honesty towards others, which can explain the existence of regional government as a trustworthy institution that should act for the public necessities by accomplishing its tasks and functions appropriately and constructing the effective internal control system to manage the transparent and accountable regional financial.

This result is aligned with the research conducted by Sari (2017), Antika et al (2020) dan Noor et al (2020) demonstrated that the internal control system has a positive and significant influence on regional financial management. If the control system could be well-implemented towards the regional financial management process by all leaders and staff, undoubtedly a reliable and informative financial report will be accomplished, state’s assets will be secured and the departments’ obedience to law and regulations will be actualized.

**The Influence of Accessibility of Financial Report towards Accountability of Regional Financial Management**

The result of the second hypothesis indicates that the accessibility of financial reports has a positive and significant influence on the accountability of regional financial management. The coefficient value for the accessibility of financial reports is 0.563. It means that each 1 unit represents the improvement of accessibility of financial report will increase 0.563 accountability of financial management, vice versa, with others are assumed as fixed variables. This result demonstrates that the easier access to the financial report, the better accountability for its regional financial management. Its correlation to Agency theory is in terms of the trustee (agent) delivers the responsibility report, presents, reports, and reveals all the activities to the trustor (principal) who owns rights and authorities to ask for the responsibility reports. This research is aligned with a study performed by Putri (2017), Kurniawan dan Rahayu (2019) and Antika et al (2020), stated that accessibility of financial report has a significant influence in a positive way to the accountability of regional financial management. Better access to the financial report leads to better accountability of financial management, with the existence of easy and open access.

4. Conclusion

Based on the research results, conclusions can be withdrawn, as follows: The internal control system has a positive and significant influence on the accountability of financial management. It indicates that better internal control system implementation leads to better accountability of regional financial management. Accessibility of financial reports has a positive and significant influence on the accountability of regional financial management. It indicates that higher acces-
sibility to financial reports leads to the higher accountability of financial reports.

After the completion of the research, several recommendations are provided for future studies: Next researchers might broaden the research object to the different samples and better expand it to other OPD for more samples that represent various responses related to the accountability of OPD; and The next researchers are suggested to apply other variables that might influence the accountability of regional financial management by adding the different independent variables besides the existing variables in this research, such as work motivation, budget participation, the clarity of budget target, and others.

5. Acknowledgments

This research was funded by the Higher Education Research and Development Council of Muhammadiyah Central Leadership in Funding and Implementation of Batch V of 2021 Muhammadiyah Research Grants in Research Contract Number: 0842.290/PD/Madiyah Research Grants in Research Contract and Implementation of Batch V of 2021 Muhammadiyah Central Leadership in Funding Education Research and Development Council of

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