The Government's Internal Control System
And Financial Performance Supervision Mechanism

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Abstract: *The study uses a quantitative approach to determine whether the effectiveness of internal control functions affects the financial performance of the Ambon City Government. Primary data used. All Ambon City Government employees are included in this research population. Purposive sampling consisted of 63 individuals. Data is collected through the dissemination of questionnaires and analyzed using simple linear regression analysis. The results of this study show that the financial performance of the Ambon City government is strongly influenced by the performance of internal control functions.*

Keywords: *Efficiency internal control functions; Financial performance, Supervision Mechanism*

INTRODUCTION

Financial performance is an important factor in assessing all financial activities in a government. Financial performance is an analysis carried out to see to what extent an organization has properly and correctly perceived and applied the principle of financial performance. (Litamahuputty, 2021). Good and correct implementation of financial rules can be seen in how good the quality of the financial statements is at an agency. Financial statements are statements that reflect a company's financial position of a company at present or for a specific period of time (Litamahuputty, 2020). A financial statement is said to be of high quality if the information presented in the financial statement is easy to understand, meets the needs of user decision-making, and is reliable in comparison with previous periods. Internal controls within an agency need to be created to guarantee good financial reporting. Internal control is a policy and procedure intended to protect all assets in a company from abuse and to ensure the availability of accurate accounting information about the company. (Litamahuputty, 2022). Internal control functions' effectiveness is also a factor affecting government financial performance. According to Mardiasmo (2007), internal stakeholders include state institutions, political groups, public managers, and government officials. (Litamahuputty, 2020). For that reason, the existence of a company can be influenced by the support provided by stakeholders to the company. (Litamahuputty, 2017). Financial statements in a government agency can run well when financial performance is also good, but financial performance can also be affected by the effectiveness of internal control functions. If any problems arise in the financial statements, the government

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should pay attention to the effectiveness of internal controls so that the government agencies can know and hold accountable every regional financial record and report processed by each respective government agency. The same is true of the Litamahuputty study (2020), which states that the effectiveness of supervisory functions affects financial performance. As a result, the researchers formulate the hypothesis: H: The effectiveness of internal control functions affects financial performance. This research is to test the impact of the effectiveness of internal control functions on the financial performance of the Ambon City government.

RESEARCH METHOD

This research uses a quantitative approach with a survey method. Researchers conduct surveys to study the behavior of individuals or groups. In general, surveys use a questionnaire as a data collection tool by taking samples from a single population and using a questionnaire as a basic data collection instrument. The population in this study is the entire staff who work in the Ambon City Government, out of a total of 2,763 staff who are in 22 SKPD. The sampling technique used is purposive sampling. The criteria in the selection of the sample are the staff involved in the preparation of the financial statements in each of them, the head of the sub-division of finance, Treasury receipts, and Treasury expenditure. The sample consisted of 63 people. The variables in this study are the efficiency variable of the internal control function (X), which is said to be a free variable, and the financial performance variable (Y), which is called a bound variable. Then the indicator used in the control function is the efficiency variable. Internal is taken from Litamahu putty research (2017), among others: control environment, risk measurement, control activity, information and communication, and monitoring. Before we spread the questionnaire to the whole sample, we first tested the instrument. The research instrument was tested on accounting students who had completed all of the courses because they were thought to be close to the original respondent's characteristics. A scattered questionnaire of 31 and a returned questionnaire of 36. The purpose of instrument testing is to obtain information about the quality of the instrument to determine whether it meets the requirements or not. According to the instrument validity test results, the entire questionnaire statement is considered valid because the r count is greater than the r table. Similarly, in the instrument reliability test, the test results are declared to be reliable because the Cronbach alpha value is greater than the significant value of 0.6. The data collection technique involves spreading the questionnaire and

the data used is primary data. Primary data is information that is collected firsthand. The data is analyzed by testing the validity and reliability of the collected questionnaire; if the results are valid and reliable, they are then tested for normality and linearity, which are then analyzed using simple linear regression analysis, the t test, and determination coefficients.

RESULT AND DISCUSSION

This research is being carried out in the Ambon City Government. Ambon is one of 11 cities in Maluku Province. As for the time to collect the questionnaire, it ranges from two to eight weeks. The questionnaires that have been completed are then tabulated in Microsoft Excel and processed using the SPSS 22 program. The questionnaire that has been distributed has 63 questionnaries and is returned and is eligible to be processed in the total number of 63 questions.

Based on the above table it can be seen that the value of a (constant) is 12.870 and the variable efficiency coefficient of internal control functions is 0.367. So we get the simple linear regression formula equation:

Table 2.
results of the hypothesis test

Double linear regression	Uji T		Koefesien	Koefisien determinasi
Constant	B	T	Sig.	R square
12.870	.367	3.314	.002	.222

Source: Research data processing

The regression coefficient x of 0.367 indicates that the relationship between the effectiveness variable of the internal control function and the financial performance variable is positive, where each addition of 1 value of the efficiency variable in the internal controlling function, then the value of financial performance increases by 0.367. Further in the t test, if the t count is greater than the t table and the significance value is < 0.04 then it can be said that partially variable efficiency of internal control functions is influential and significant to the financial performance variable.

The correlation value reflects the strength of the relationship between the independent/free variable (internal control function effectiveness) and the dependent/binding variable (financial performance). Based on the table above, the determination value is located in the r square column, where the value of a determination coefficient is 0.222. The value means that the internal control function effectiveness variable affects the financial performance variable by 22.2%, while the remaining 77.8% is affected by other variables not studied in this study.

The results of this study indicate that the effectiveness of internal control functions has a significant influence on the financial performance of the Government of Northern Minahasa City. As derived from the simple linear regression results, stating that the relationship between the efficiency variable of internal control functions and the financial performance variable is positive, meaning the more effective the internal control function, the better the government's financial performance.

The State's financial management will be effective, efficient, transparent and accountable if internal controls are implemented in governmental activities in accordance with Government Regulation No. 60 of 2008. Internal controls play an important role in a government agency, in protecting the assets that exist in a state agency and in preventing fraud. As discussed in this study on financial performance, financial performance will work well when it has effective internal controls. Effective internal controls need to be established so that government agencies can be held accountable for every regional financial record and reporting processed by each individual government agency. Then in improving financial performance, internal controls must be supported by a control environment, like having a regulatory environment so that controls can run well. Then minimize the risks that will occur in this case to assess the risk in order to be able to anticipate if there are errors in the preparation of financial statements.

In terms of financial performance, every sub-chief of the financial department must be committed in his duty to unleash every potential in the work he does. Then the financial transactions in the agency must be accompanied by operational standards of established procedures, valid transaction evidence, routine in the preparation of budget realization reports as well as guiding on government accounting standards, and paying attention to any expenditure or inputs, so as not to happen unwanted things. Also in the internal controls that exist in the government, to be able to pay attention and examine more carefully every transaction evidence whether the evidence is valid or not seen from the supporting evidence, evidence of responsibility, then applied physical inspection of the assets of the agency, all accounting activities recorded in the accounting system, and carry out monitoring and evaluation of the entire operational activities. It is vital for government internal controls to be more effective and improve financial performance.

CONCLUSION

Based on the results of the data analysis and discussion of the research "Influence of the effectiveness of internal control functions on the financial performance of the Government of Ambon City, it can be concluded that the efficiency of the internal control function has a positive and significant influence on financial performance in Ambon city Government. It is advised that subsequent researchers add other variables to this study, or conduct research on other regional governments to prove the accuracy of the results and to avoid fraud.

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