

IMPROVING PUBLIC PERFORMANCE ACCOUNTABILITY THROUGH CLARITY OF BUDGET TARGETS AND INTERNAL CONTROL

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Abstract

This study aims to examine and analyze the effect of budget goal clarity and internal control on performance accountability in Lebak-Banten district government agencies. This study uses quantitative methods with data collection using primary data. The population in this study was 246 government-employee respondents. This study used 181 respondents. This study used a Likert scale questionnaire. The analysis technique used in this study is Partial Least Square analysis - SEM. The result of this study is that budget goal clarity has an asymmetric effect on performance accountability, as well as an internal control on local government performance accountability. Our findings regarding the more positive impact of budget goal clarity on performance accountability in the scalable stage especially in setting clear budget targets.

Keywords: Budget Goal Clarity, Internal Control, Accountability

1. Introduction

Government agencies need to account for the success and failure of the organization's mission in achieving goals and objectives as a manifestation of obligations to society (Overman & Schillemans, 2022). Government performance accountability provides information about performance achievements to realize people's rights with the proper division of authority (Saputra, 2022), in addition to setting specific budget goals to encourage the quality of employee work (Taylor, 2013).

Unclear budget goals will cause confusion, discomfort, and dissatisfaction at work (Hall, 2008). It will cause the executor of the budget is not motivated to achieve the expectations. In the context of regional autonomy, delegation of authority and responsibility for regional heads to subordinates obtains two things in implementing this system. First, speed up the process and improve the quality of the decision-making process. Second, these systems allow heads to make better decisions and exercise operational control to make it more effective and efficient.

In the last few decades, the public sector has attempted to develop a more comprehensive internal control system (ICS) to provide information to managers and employees to realize their performance accountability (Aziz et al., 2015; Kewo, 2017; Sari et al., 2017; Tetteh et al., 2022). Previous research explained that there is a more comprehensive ICS that can link various assessments, key of performance, and budget absorption.

The poor research on performance measurement systems for cooperative business objects causes the development of these businesses to slow down (Dhamayantie, 2018). Internal control is usually needed as the company's business transactions grow and develop. Carrying out internal control properly is followed by the organization's willingness to incur additional costs. The emergence of this financing correlated with the activity program budget in a certain period. However, internal control (IC) can guarantee the achievement of financial expectations (Broadbent & Laughlin, 2013), administrative controls: planning and

controlling operations (Simons, 1987; Jawadi et al., 2017), and ensure that all process activities carried out under plans, and accounting records (Hansen et al., 2009), as well as to prevent procedural and administrative errors in addition to protecting assets (Merchant & Van der Stede, 2018).

Currently, an internal control system allows heads of local government agencies to make better decisions and control each organization's activities more effectively, and choose the best alternative for each problem to improve organizational performance (Zakiyudin and Suyanto, 2015). Government agencies that have accounting systems that are reliable and implemented with sound practices, the information produced can help improve the performance of an agency.

The main challenge for local government administrators who want to promote the performance of their departments is that they must be accountable for optimal performance. Managing the budget according to the target can make it easier for individuals who are given the task to realize it within the budget deadline. In addition, local governments need to carry out internal controls as a form of preventive measures against the risk of fraud. Thus, budget goal clarity, internal control, and accountability are interdependent cornerstones of open and democratic government. However, budget goal clarity may be accorded with some conceptual primacy since without information related to a policy domain, no further actions related to budget goal clarity and accountability can take place. Perhaps because of this fundamental importance, scholars have begun to inquire more closely about what is meant by "budget goal clarity," how the term is used, and how budget goal clarity relates to accountability (Pebrianti & Aziza, 2019; Hutama, R.S., & Yudianto, 2019; Alawia et al., 2021).

The remainder of the paper is organized into five additional sections. In second-section, we review the theory and conceptualization research related to budget goal clarity, internal control, and performance accountability in more detail. And in third-section, we describe our research method, including our operational definitions of the independent variables and descriptions of our dependent variables. In forth-section, we present a series of PLS-SEM analyses conducted to assess the relationship between this budget goal clarity, internal control, and performance accountability measures and the factors we expect to predict them. We conclude by reflecting on the strong role of budget goal clarity, internal control, and its contribution to performance accountability. We further conclude that budget goal clarity and internal control are predicted to influence local government performance accountability.

2. Theoretical And Hypothesis Development

Agency Theory

Jensen & Meckling (1976) define agency theory as a concept of the cost of agency, where the financing is done to explain its relationship to the problem of 'separation and control'. In sociological studies, agency theory is the context of the relationship between two parties, where one of them acts on behalf of the other party, where the relationship is used as a function of a control strategy for agents to make a better contribution. (Shapiro, 2005).

The agency control problem becomes important, especially in the process of making managerial decisions from planning, implementation, analysis, and evaluation (Fama & Jensen, 1983). An organization can experience more advanced changes depending on the role of management by involving external parties. Changes that occur internally can be threatened when all members are not fully involved and committed (Haapasaari et al., 2016). Therefore, most of them engineer external involvement in designing and implementing

business management systems (Haapasaari et al., 2016). Agency theory as a form of initiative to change certain patterns in an organization into other forms according to the wishes of the owner (Adam et al., 2017). Transformation of activities through external collaboration is considered capable of achieving negotiated results and can even form stronger performance (Adam, 2017).

Agency theory has been practiced in both the private and public sectors. Agency theory in managing the budget between the public sector and the private sector has different goals (Vosselman, 2016). In public sector organizations aim to provide maximum service to the community related to performance reporting practices. In performance reporting, the government acts as an agent who has an obligation to present performance information that is useful for principals in assessing accountability (Vosselman, 2016). Accountability can be explained using agency theory, which in the sense of accountability can be understood as the obligation of the agent (government) to provide accountability, present, report and disclose all activities and activities which are their responsibility to the public as principals and the government as agents.

Performance Accountability

Performance Accountability is defined as the embodiment of the obligations of a government agency to account for the success and failure of the organization's mission in achieving the goals and objectives that have been set through a periodic accountability system (Kassel, 2008; Yang & Northcott, 2019). Accountability is not only financial responsibility, but the obligation of individuals or authorities who are entrusted with managing public resources and those concerned with them to be able to answer matters relating to fiscal, managerial and program accountability (Robert, 2002; Justice et al., 2006). Performance accountability is one of the keys to the realization of good governance in the management of public organizations (Sedarmayanti et al., 2020). According to (Rusdiana & Nasihudin, 2018), in order for Government Agency Performance Accountability to be realized properly, the following conditions must be fulfilled: (1) Moving from a system that can guarantee the use of stable resources with general principles of state administration ; (2) Commitment from the leadership and all relevant agency staff; (3) Shows the level of achievement of the goals and objectives that have been set; (4) Oriented towards achieving the vision and mission, as well as the results and benefits obtained; (5) Honest, objective, transparent and accurate; (6) Presenting successes and failures in achieving the goals and objectives that have been set.

Accountability serves to generate the information citizens need to assess and validate their government's actions. Effective accountability processes increase perceptions of legitimacy, reduce fraud and corruption, increase fiscal responsibility among government actors, increase public understanding of why performance targets are not being met, and ultimately help build trust (Harrison & Sayogo, 2014). Accountability is a matter of principle and basis for an organization that applies at every level of the organization which has three main functions, namely: (1) democratic control; (2) preventing corruption; (3) improve efficiency and effectiveness (Sarker, 2009; Iyoha & Oyerinde, 2010).

From several studies of this knowledge, our synthesis regarding accountability is the obligation of an agency to be accountable for the successes and failures of the goals and objectives that have been set. Several indicators of accountability are legal and honest, managerial, programmatic, policy and financial.

Budget Goals Clarity And Performance Accountability

Budget Goals Clarity (BGC) is the process of setting specific budget targets that are able to explain and facilitate implementers so that performance accountability is achieved (Cecilia Lelly Kewo, 2014; Pebrianti & Aziza, 2019). As well as being a central component of management accounting in the public sector for planning, coordinating, organizing and controlling activities, the budget reflects organizational activities with an emphasis on the short term (Mauro et al., 2017). Through the budget, government management can control the implementation of operational activities directed at implementing strategies in order to account for the vision and mission of local governments (Ahrens & Ferry, 2020; Johnsen, 2018). BGC that is clearly and specifically defined makes it easier for government officials to achieve accountability for the programs that have been implemented (Hutama, R.S., & Yudianto, 2019).

An effective BGC (specific, measurable, attainable, time bound, and trackable) is able to encourage policy makers to produce transparency and accountability (Bleyen et al., 2017). We concur with the researchers who suggest that there is a strong relationship between BGC and accountability for government performance (Pebrianti & Aziza, 2019; (Kawatu & Kewo, 2019; Alawia et al., 2021). Oleh karena itu, kami mengajukan hipotesis berikut:

H₁: Budget Goals Clarity (Specific, Scalabel, and Challenge) that is well made is able to increase accountability performance of government administrators.

Internal control And Performance Accountability

Internal controls (IC) relates to the construction and use of accounting systems with the aim of ensuring the achievement of financial expectations (Broadbent & Laughlin, 2013). That's a part of a management control system which includes administrative controls such as budgets for planning and controlling operations (Simons, 1987; Jawadi et al., 2017). According to Hansen et al., (2009), internal controls are implemented in an organization to ensure that all process activities are carried out according to plan, and that accounting records have been properly recorded so that financial integrity occurs. IC as a system has been used by business organizations to prevent procedural and administrative errors beside to protect the assets (Merchant & Van der Stede, 2018).

IC covers the organizational structure and all methods and are primarily concerned with and related to safeguarding company assets and ensuring the accuracy of financial data. Internal controls can ensure accurate recording according to standards that apply to every financial transaction and can minimize recording errors. Internal control procedures have the goal that financial information must be reliable so that managers get accurate information for program planning and other decision making, organizational assets and records are not stolen, misused, or damaged on purpose, foundation policies are followed, and government regulations are fulfilled. With internal controls, government agencies can control and evaluate all activities and responsibilities undertaken. Internal controls can assess whether the activities carried out by the government have been economical, efficient, and the effectiveness of services from local government agencies to the community, this is one indicator of local government performance. The achievement of these indicators is an achievement that can improve the quality of accountability for the performance of the local government agency concerned. So the higher the internal controls applied, the performance accountability of local government agencies will increase. According to (Aziz et al., 2015;

Sari et al., 2017; Jawadi et al., 2017; Kewo, 2017; Hutama, R.S., & Yudianto, 2019; Saputra, 2022) states that internal controls affect performance accountability.

H₂: Internal control that is well made is able to increase Budget Goals Clarity of government-administrators.

3. Method

We collected data using a questionnaire administered to government officials in each department in the Lebak-Banten district. We obtained a list of 246 employees that we could make as research objects. However, due to some technical constraints in instrument deployment we were only able to collect as many as 181 data. We use an implementation strategy with the following steps; telephone calls, questionnaire packets with cover letters, questionnaires and return envelopes, and follow-up calls. We do not include names in filling out the questionnaire so that respondents are willing to complete our questionnaire. Of the 246 questionnaires distributed, 181 were accepted, which gave a response rate of 73.58%.

Demographic information was collected from respondents regarding years of service, age, gender, department size (number of employees), and service areas. Table 1 reports descriptive statistics for the demographic respondents. The average age of the respondents is in the range of 46-57 years with an average working period of 5-10 years and the average level of education of employees is bachelor. Sixty nine percent of the respondents were male and thirty one percent were female. Table 2 reports the statistical descriptive classification of the variables.

Table 1
Descriptive Statistics for Demographic Respondents

Variable	Category	Amount	%
Respondents		198	100.00
Field experience	< 5 years	56	28.28
	5-10 years	112	56.57
	> 10 years	30	15.15
Gender	Male	136	68.69
	Female	62	31.31
Age	< 45 years	82	41.41
	46 -57 years	92	46.46
	> 57 years	24	12.12
Education	SMA/SMK	32	16.16
	Diploma	46	23.23
	S1/S2	120	60.61

Table 2
Descriptive Statistics for Variables

Variable	Scale	Minimum	Maximum	Mean	SD
Budget Goal Clarity	1-5	18.00	40.00	30.26	3.90
Internal Control	1-5	19.00	49.00	31.92	4.63
Perf- Accountability	1-5	59.00	84.00	71.66	4.90

Based on the discussion of the previous literature, a theoretical framework was developed, as shown in Figure 1 below.

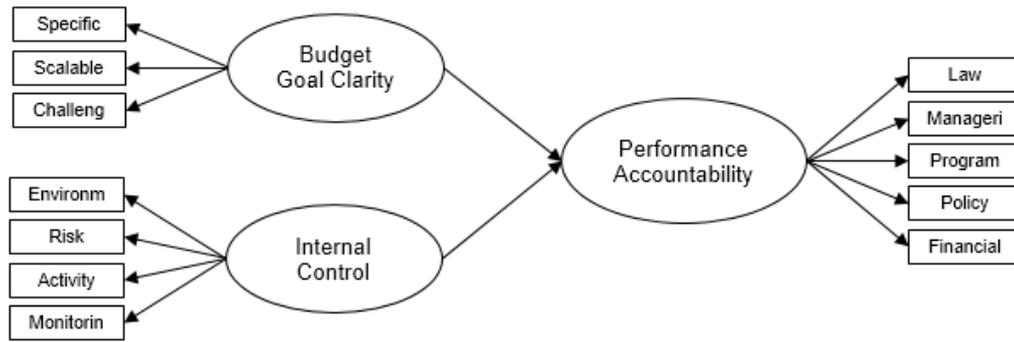


Fig. 1 Theoretical Framework

Table 3
Factor loadings from final PLS measurement model

Item	Budget Goal Clarity			Internal Control				Performance Accountability				
	SPC	SCL	CHL	ENV	RIS	ACT	MTR	LAW	MNG	PRG	PLC	FIN
CB1	0.64											
CB2	0.93											
CB3	0.72											
CB4		0.58										
CB5		0.82										
CB6		0.70										
CB7			0.80									
CB8			0.88									
IC2				0.80								
IC3				0.97								
IC4				0.78								
IC5					0.91							
IC6					0.94							
IC7					0.79							
IC9						0.71						
IC10						0.92						
IC12							0.86					
IC13							0.85					
PA1								0.67				
PA2								0.82				
PA3								0.86				
PA4								0.73				
PA5									0.76			
PA6									0.90			
PA7									0.73			
PA8										0.85		
PA9										0.79		
PA10										0.68		
PA12											0.71	
PA13											0.95	
PA14											0.74	
PA16												0.83
PA17												0.79

4. Result

Measurement model

The PLS measurement model is used to test the factor loading properties for each variable. All items are loaded on their respective constructs; however, two items from the performance accountability scale have factor loadings below 0.5 (Vieira, 2011) (item PA15 = 0.11). Low item loading weakens the explanatory construct of the model, so that in the next test the PA15 item is removed from the model and not used in further analysis. While the constructor indicator of budget goal clarity as a whole can meet the criteria even though there is one item that is almost eliminated (CB4 = 0.58). In testing the indicators forming internal control, there were three items that were not used in the analytical test (IC1 = 0.29, IC8 = 0.32, and IC11 = 0.45). The factor loading of the final PLS measurement model is reported in Table 3.

Table 4
Characteristics of Variables

Variable	Dimension	Indicator
Budget Goal Clarity (X_1) Karismawati (2018)	Specific	<ul style="list-style-type: none"> • clarity of work plan and budget • suitability and lack of clarity on budget targets. • clear and specific budget targets.
	Scalable	<ul style="list-style-type: none"> • expertise and knowledge • agency goals.
	Challenge	<ul style="list-style-type: none"> • budget accuracy • execution of the budget • performance evaluation
Internal Control (X_2) Karismawati (2018)	Environment	<ul style="list-style-type: none"> • audits • evaluation system • budget targets
	Risk	<ul style="list-style-type: none"> • timeframe as a decision-making tool. • authorization and appropriate on the transaction
	Activity	<ul style="list-style-type: none"> • supporting evidence for each transaction. • recording transactions
	Monitoring	<ul style="list-style-type: none"> • separation of responsibilities. • financial report approval
Performance Accountability (Y) Karismawati (2018)	Law	<ul style="list-style-type: none"> • clear understanding of budget targets • determination of vision and mission in accordance with the organization's strategic plan.
	Managerial	<ul style="list-style-type: none"> • determination of performance indicators for each activity. • financial analysis.
	Program	<ul style="list-style-type: none"> • preparation of financial reports. • check the running of the program.
	Policy	<ul style="list-style-type: none"> • control of the implementation of activities. • accommodate any changes to activities.
	Financial	<ul style="list-style-type: none"> • LAKIP use. • The link between performance achievement and programs and policies.

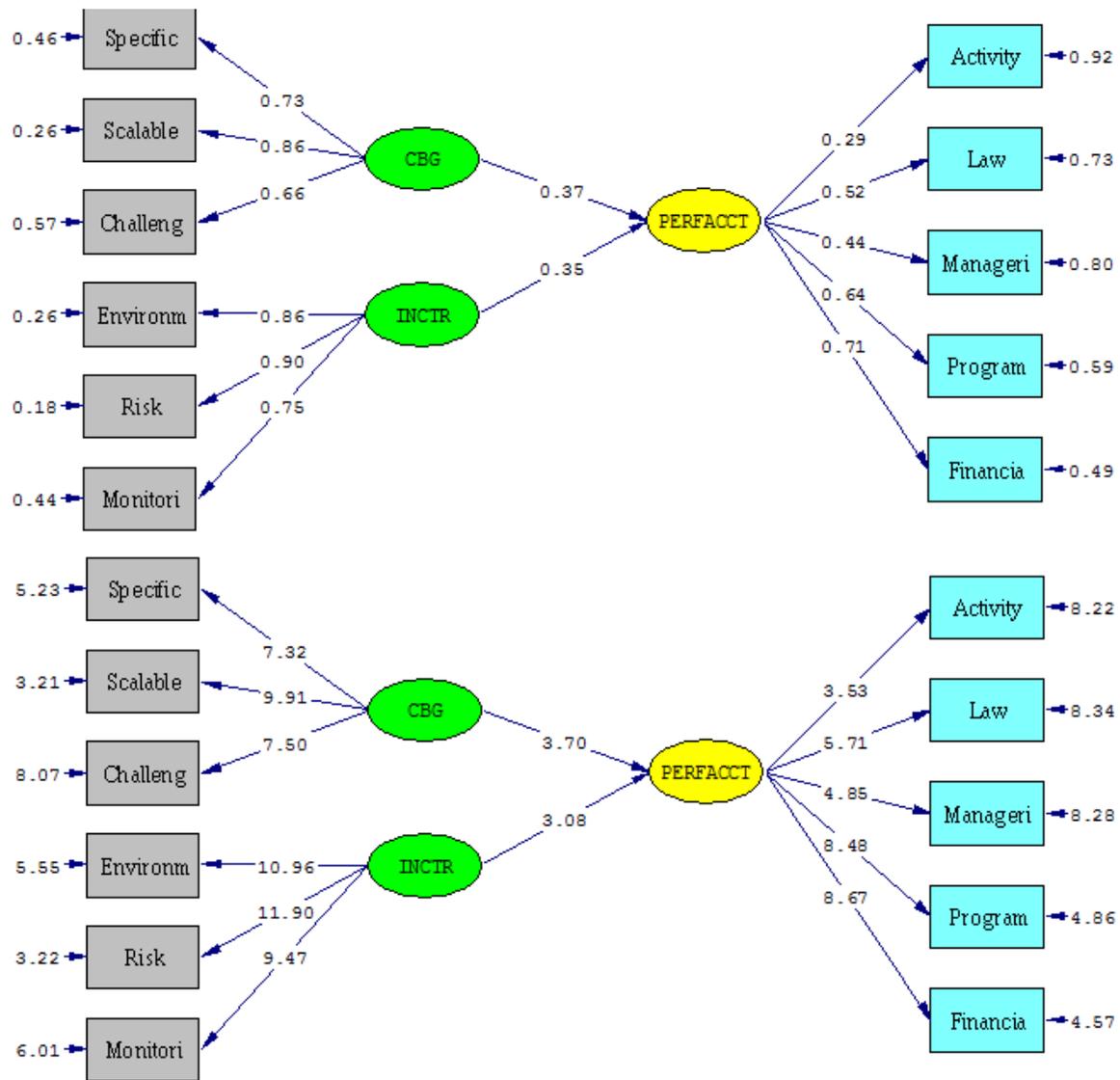
Testing the reliability of each variable, we used a composite reliability measure as shown in Table 6. Composite reliability and CR values for each variable were above 0.70, indicating acceptable reliability (Ghozali & Latan, 2013). The convergent validity of the variables was assessed by examining the extracted average variance (AVE) statistic. Table 5 shows that the AVE for each variable is 0.50 and above, indicating sufficient convergent validity (Hair et al., 2014; Ghozali & Latan, 2013). The results of this test show sufficient discriminant validity. Overall, the results of the PLS measurement model show that each construct shows satisfactory reliability and validity.

Table 5
Reliability and variance extracted statistics, and t-value from PLS model

Measurement Model		Loading factor	Standard Error	t _{value}	Reliability		Description
Latent Variable	Manifest				CR	AVE	
Budget Goal Clarity					0.7862	0.5517	Good Reliability
	Specific	0.75	0.44	5.97			Good Validity
	Scale	0.79	0.37	6.42			Good Validity
	Challenge	0.68	0.53	7.51			Good Validity
Internal Control					0.8894	0.6690	Good Reliability
	Environment	0.78	0.39	7.20			Good Validity
	Risk	0.91	0.18	9.80			Good Validity
	Activity	0.75	0.44	9.45			Good Validity
	Monitoring	0.83	0.32	9.13			Good Validity
Performance Accountability					0.8118	0.5217	Good Reliability
	Law	0.59	0.65	7.52			Good Validity
	Programe	0.79	0.37	7.46			Good Validity
	Policy	0.77	0.41	6.46			Good Validity
	Financial	0.72	0.48	6.79			Good Validity

Tests of hypotheses

We estimate the structural model in PLS to test the four hypotheses that have been proposed. In addition to the hypothesized pathways, we also analyze the role of mediation in the structural model for controlling the quality of performance accountability. PLS measurement basically aims to maximize the variance explained rather than suitability so that it prioritizes prediction (R²) (Hair et al., 2014). R² for each endogenous variable produces a standard for each path coefficient (Hair et al., 2014).



Chi-Square=121.43, df=41, P-value=0.00000, RMSEA=0.104

Fig. 2 Fath Coefficient

Although there is a positive correlation between budget goal clarity and performance accountability (see Table 6), Table 6 shows that budget goal clarity associated with performance accountability and able to give effect to performance accountability of 17.19 percent ($r = 0.37$; $t = 3.70$). As expected, this indicates that budget goal clarity have a direct effect on performance accountability. We can understand the influence of the most dominant budget gaol clarity in shaping accountability performance. Table 5 shows that budget goal clarity is strongly constructed by scale dimensions. This gives us an explanation that the perception of budget goal clarity by government employees is more determined by the scale of the project. Therefore, these results indicate that the first hypothesis proposed can be accepted because it meets the statistical requirements.

The results from the structural model, reported in Table 6, indicate how internal control has aposirive correlation and performance accountability although not as good as the budget goal clarity contribution ($r = 0.35$; $t = 3.08$). However, internal control is able to have an effect on performance accountability by 15.75 percent. Therefore, these results indicate that the second hypothesis proposed can be accepted because it meets the statistical requirements.

Table 6
Contribution to Performance Accountability

Variable	Coefficient - r	t-test	Effect	Contribution
Budget Goal Clarity	0.37	3.70	0.1719	33%
Internal Control	0.35	3.08	0.1575	

Table 6
Direct and Indirect Effect

Variable	Influence		Via	Total
	Direct	Indirect		
Budget Goal Clarity	0.1369	0.0350	IC	0.1719
Internal Control	0.1225	0.0350	BGC	0.1575
Simultaneous influence on Performance Accountability (r^2)				0.3293
The influence of other variables on performance accountability (ξ_1)				0.6707

Discussion

In this research, I examine how comprehensive budget goal clarity and internal control are related to performance accountability. As such, this study is among the first to provide empirical evidence regarding the behavioral consequences of comprehensive budget goal clarity and internal control. The structural model is tested using PLS to test whether the relationship between budget goal clarity and performance accountability is direct, or indirect through internal control variables. The results show that comprehensive budget goal clarity is directly related to performance accountability, as well as internal control. These results are consistent with the argument that there is an effect of budget goal clarity on performance accountability (Pebrianti & Aziza, 2019; Hutama, R.S., & Yudianto, 2019; Alawia et al., 2021). In particular, the results show that comprehensive budget goal clarity influences leadership authority in controlling and recognizing budgets, which in turn affects performance accountability. As such, this study contributes to previous research examining the direct and indirect effects of budget goal clarity on performance accountability (Pebrianti & Aziza, 2019; Hutama, R.S., & Yudianto, 2019; Alawia et al., 2021). In particular, the results show that comprehensive budget goal clarity has a significant relationship and influence on the establishment of performance accountability.

From a theoretical perspective, this study shows that developing a theoretical model that includes relevant variables can help improve our understanding of how internal control systems influence performance accountability behavior. In addition, this study also describes how PLS can be used to examine the nature of the relationship between internal control system components and performance accountability.

Researchers have called for a better method of determining what government means by contemporary budget goal clarity. In this study, we use descriptions from the budgeting literature to develop instruments to measure the essential attributes of comprehensive budget goal clarity. These attributes include providing performance accountability that describes key parts of government department operations and integrating measures with strategy throughout the value chain (Aziz et al., 2015; Kewo, 2017; Tetteh et al., 2022). Empirical results show that the instrument is a reliable and valid measurement tool for the contribution of performance accountability in a comprehensive manner.

5. Implication

In summary, budget goal clarity and internal controls have significant and positive effects on performance accountability in emerging countries. In particular, our findings regarding the more positive impact of budget goal clarity on performance accountability in the scalable stage (setting clear budget targets). In addition, the government needs to pay more attention to the internal control function to protect its assets and be more transparent and accountable. Our findings would have implications for the regulators and policymakers concerning the importance of internal control in government governance and the effectiveness of implementing standards and guidelines on internal control in public organizations. In addition, our findings on the various roles of internal control on budget effectiveness by assisting leaders in risk management and budget monitoring.

6. Conclusions

We explore the relationship between clarity of budget objectives and internal control at the government performance accountability cycle. The clarity of budget targets can control the implementation of operational activities directed at the implementation strategy to account for the vision and mission of the local government. We found empirical evidence that supports the conclusion that the clarity of budget objectives has a positive relationship that is strong enough to influence the regional government accountability process (Hutama, R.S., & Yudianto, 2019; Alawia et al., 2021). The characteristics of this relationship tells us that if the government establishes budget clarity well, it can improve its accountability process. And vice versa, low clarity of budget objectives can reduce the accountability process for government performance. The positive impact of Budget goal clarity objectives on accountability for government performance is more significant, especially in setting clear (scalable) budget targets than at other stages. Finally, we can prove our previously proposed hypothesis-1.

Henceforth, one of the main objectives of internal control is to increase the effectiveness and efficiency of all activities. Therefore, we conclude that there is a significant relationship between internal control and performance accountability. However, our evidence shows that the effect of internal control on performance accountability is lower than the clarity of budget objectives. It is possible because implemented internal control is more of a justification nature, not a preventive effort capable of providing suggestions for improving the quality of work. Using the internal control index to measure the effectiveness of internal control (Chen et al., 2017), we find that internal control increases performance accountability. The positive impact of internal control on company performance is more significant at the maturity and shock stages than at others. Thus we provide further conclusions that hypothesis-2 can be proven empirically.

Based on some of the evidence we obtained, we can finally explain that the clarity of budget objectives and internal controls affects performance accountability in developing countries in Indonesia. Namun demikian, kesimpulan yang kami nyatakan memiliki beberapa keterbatasan. Our exploration is only on the heads of government offices in parts of Banten. Further research will expand objects throughout Indonesia. Likewise, the number of determinant variables of government performance accountability is not only on two variables (clarity of budget objectives and internal control) but can be developed using intervening variables (responsibility, transparency, or integrity) (Sajari et al., 2023).

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