

# **ANALYSIS DETERMINANT OF FINANCIAL MANAGEMENT PERFORMANCE AT UPT OF MINISTRY OF ENVIRONMENT AND FORESTRY IN NTB**

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## **Abstract**

Public finance management reformation requires each government's agency to improve system, procedures, and accountability of public finance management, thus the state's finance can be managed orderly, obedient to laws and regulation, economies, effective, efficient, transparent, and accountable with regard to justice and decency. The aims of this research is to examine empirical evidence about the influence of accountability, transparency, internal control systems, and the human resources competency on financial management performance at the Technic Implementation Unit (UPT) of Ministry of Environment and Forestry (KLHK) in West Nusa Tenggara (NTB). The population of this research is total apparatus involved in financial management process in the UPT KLHK NTB. About 131 people with a total sample of 49 people who was taken obtained by using purposive sampling technique. The collection data method using in this research is questionnaire. Data analysis methods are Partial Least Square (PLS). The results of this research indicate that accountability, transparency and internal control systems have a significant and positive impact on the financial management performance, while human resources competency has positive on financial management performance. The implication of this research is consideration for the working unit in order to improving accountability, transparency, internal control systems and human resource competencies for financial management performance improvement.

**Keywords:** Accountability, Transparency, Internal Control System, Human Resources Competency, Financial Management Performance

## **1. Introduction**

The state financial management reformation obliges every government institution to improve the system, procedures, and financial accountability of the state financial in order to manage it orderly, obedient to laws and regulations, efficient, economical, effective, transparent and accountable with regard to fairness and decency. One of the main requirements to realize a good governance is to apply the principles of accountability and transparency. Werimon (2007) in Susanto et al. (2016) states that the adjustment of the principles of accountability and transparency causes a greater control of the people which ultimately will result in a good performance. The public deserves to know related information about the government's financial for the evaluation (Mardiasmo, 2002). In term of transparency and public participation, every examination report that has been presented to the institution representative is declared open to public, therefore people will have a chance to know the results of the examination (Law 15/2004).

The financial report which receives unqualified proper opinion (WTP) is one indicator of the state finances that have been managed transparently and accountably (Gunawan, 2015). As an organization which manages public funds, the Ministry of Environment and Forestry (KLHK) has to be able to provide public accountability through financial reports. Based on BPK's inspection of the ministries / institutions' financial reports in 2015, the Ministry of Environment and Forestry (KLHK) is one of the ministries that received a qualified opinion (WDP). The Ministry's failure to obtain WTP opinion in 2015 is categorized as a challenge for KLHK to continuously improve its financial management. The stakeholders dissatisfaction to the management of Mount Rinjani National Park (TNGR) which is one of the technical implementation unit (UPT) of the Ministry of Environment and Forests (KLHK) in NTB shows the occurrence of accountability problems. Stakeholders questioned Mount Rinjani's clean up fund management which has been invalid by August 2016, thus starting from September to December 2016 in the end of climbing season, it was reported that the funds to clean Mount Rinjani's area had been dried up which resulted in a huge amount of waste in Mount Rinjani neglected (Lombok Post, 2016). Some results of the previous studies about the effect of accountability and transparency on the performance, such as, several researchs conducted by Taufik and Kemala

(2013), Auditya et al. (2013), Wiguna et al. (2015), Susan et al. (2016), revealed that the accountability and transparency have impacts on performance. Those results were contrary to the results of research conducted by Rahayuni (2013), which revealed that public accountability has no impact on the performance, and results of research Siregar (2011) concluded that public transparency does not significantly influence the management of the local budget.

An effective implementation of the internal control system (SPI) will effectively help the realization of financial management performance as expected. An effective SPI will assure the organization's goal achievement through effective and efficient activities, reliability of financial reporting, the state's assets security, and compliance with laws and regulations (PP.60 / 2008). Azlina and Amelia (2014) state that internal control affects the performance. Based on data related to ministries/institutions' budget spending during the third quarter of 2015, one of the ministries with a low budget absorption level is the Ministry of Environment and Forests (KLHK). By the third quarter of 2015, the KLHK's budget absorption was only amounted to 36.66%. The budget spending up to the third quarter was smaller than the national average absorption figure which was 43.88%, and the target of spending about 60% (KLHK Finance Bureau, 2015). Furthermore, all the technical implementation unit (UPT) KLHK in NTB also could not meet the target of budget up to the third quarter of 2015 about 60%.. One of the effects of the low uptake of the budget until the third quarter is that it causes the accumulation of activities at the end of the fiscal year in order to achieve the target uptake of budget. Internal control system (SPI) can contribute optimally to reduce the possibility of errors and actions that do not comply with the rules so that the financial management process could take place, which could improve the performance of financial management.

In order to realize the state financial management performance that follow the the principles of public finance management, the qualified human resources is necessary to carry out the financial management process. One of the Ministry of Environment and Forestry (KLHK) strategy in order to perform the best performance in financial management is to increase the capacity and competence of human resources (KLHK Finance Bureau, 2015). A competent and competitive Human Resources (HR) is also one of the four pillars of bureaucratic reform. The activities centralization of the organization which commonly occurs in the end of the fiscal year, forces the financial manager to to work well

hence the budget needed to support the implementation of activities can be provided in time therefore it could achieve the budget target absorption. Wansyah, et al. (2012) and Riawan, (2016) state that in the good financial management, government agencies should have qualified the human resources (HR), which are supported by an educational background, participation in education and training, and experiences in finance. Some previous studies examining the influence on the performance of HR competencies, such as research of Arsyiati et al. (2008), Safwan et al. (2014), Subadriyah and Rohman (2015), Irwan (2016) which states that the HR Competency has impacts on performance. In contrast to the results of Widyasmiko's (2011) study, it states that the competence does not affect the performance of employees and Arifai and Abral's study (2013) also states that HR has no significant effect on the financial performance.

According to the phenomena and gap research of the previous study as described before, it could be a motivation for researchers to examine further about accountability, transparency, SPI, and the competence of human resources as factors affecting the performance of financial management. As previously explained, UPT KLHK NTB was one of the picked-test location by BPK for the financial audit KLHK in 2015, which resulted Fair With Exception (WDP) for the financial reports of KLHK. UPT KLHK NTB as a research location, also has not become a research object related to the financial management performance. To analyze the impacts of several variables including accountability, transparency, SPI, and human resource competency on the financial management performance, researchers use an agency theory and goal setting theory approachment. Agency theory in this study explains the society demands of UPT KLHK NTB as an authorized government agency to give their best performance. Goal setting theory will help researchers to explain the performance of the financial management of UPT KLHK NTB based on tasks and functions as well as a commitment to conduct.

Based on the background, it leads to the question as follows: "Do accountability, transparency, internal control systems, and human resource competencies have impacts on the performance of financial management at the Technical Implementation Unit (UPT) KLHK in NTB?". The purpose of this study is to provide empirical evidence about the influence of accountability, transparency, internal control systems, and human resource competencies to the performance of the financial management at the technical implementation unit (UPT) KLHK in NTB.

## **2. Theoretical Framework And Hypothesis Development**

### *2.1. Agency Theory*

Agency theory proposed by Jansen & Mackling (1976) describes the relationship between the principal and agent, in which the principal is the party giving the mandate / authority of the party agents and the obligations of both parties are described in an employment agreement (employment contract) which brings benefit to them. The logical consequence of the employment contract in terms of improving information role efficiency by reducing loss caused by problems such as moral hazard problems and adverse selection that has been made according to the principal of the agent. In the agency theory, accounting management information is used for two purposes. Firstly, it is used for decision-making by the principal and the agent. Secondly, it is used to evaluate and share the results in accordance with employment contracts that have been made and approved (Raharjo, 2007). Agency theory to predict if an agent has better information compared to the principal and there are differences of agents and principals interests, it might cause a principal-agent problem in which the agent will perform actions that bring benefits for themselves but provide drawbacks to the principal (Gudono, 2012: 14).

### *2.2. Goal Setting Theory*

Goal setting theory is a theory proposed by Locke (1968), which emphasizes the importance of the goals set and the performance resulted. The basic concept is the workers' understanding of the organization purposes which could affect its behavior. Specific, high goals lead to a higher level of performance compared to easier and more abstract objectives (Locke and Latham, 2006). The most effective performance might occur when the objectives which are specific and challenging, are used to evaluate the performance and associated with feedback on results, and create commitment and acceptance. The main factor in achieving the goal is self-efficacy. Self-efficacy is a belief in oneself regarding the skills and competencies related to a job (Lunenburg, 2011).

### *2.3. Conceptual Framework*

Public finance management is the overall activities of state financial management officer in accordance with the position and authority, which include planning, implementation, monitoring, and accountability. Public finance management aims for an order management of the state finances,

obedient to laws and regulations, efficient, economical, effective, transparent and accountable with regard to fairness and propriety. The government agency is a public sector organization that aims for the society welfare, therefore the finances management should be based on the laws of the state finances.

Agency theory describes the links between the principal and agent, in which the principal is the party giving the mandate / authority to the party agents and the agents are required to provide accountability to the principal on the mandate / authority given. Principal delegates the responsibility to make decision related to financial management to the agent in which the rights and obligations of both parties are described in a mutual benefitted employment agreement (contract work). Government employment contracts are annually listed in the annual work plan. Society as a principal (in this case represented by DPR) gives the government an authority and responsibility to manage the funds from the public in order to provide services as the community interest to improve their prosperity.

Goal setting theory explains the inter-relationship between determined goals and job performance. The determination of a clear and specific goal will help employees to conduct work sequentially and continuously to create the effectiveness and efficiency of resources. Specific, high goals lead to a higher performance level compared to easier and more abstract purposes (Locke and Latham, 2006). To put in other words, this theory states that the objectives which have clear and measurable results are needed to prevent the diffusion of energy organization (Rangan, 2004). Based on goal setting theory, the achievement will increase due to the increase of purpose difficulties as assumed that there is commitments and abilities to execute (Gibson et al., 2003: 259). The successful achievement of organizational objectives must be supported by supervision and qualified human resources. One method of control by the organization is to implement internal control. Internal controls can increase the commitment to achieve the goal. Internal control aims to improve the compliance to laws and regulations, the reliability of the financial statements, as well as the effectiveness and efficiency of operations. Financial management activities can run well, if the organization has qualified human resources supported by educational background, participation in education and training, and experience in finance (Wansyah, et al., 2012 and Riawan, 2016).

Some studies have supported that independent variables (exogenous) influence on the dependent variable (endogenous). This is evident in the results of research conducted by Taufik and

Kemala (2013), Auditya et al. (2013) Azlina and Amelia (2014), Raharjo et al. (2015), Wiguna et al. (2015), Susan et al. (2016), which revealed that the accountability and transparency have effect on performance. Research results from Dewi (2012), Azlina and Amelia (2014), Simangunsong (2014), and Permatasari (2014) and the Maharani (2015) stated that internal control has a positive effect on performance. The better and effective internal control is implemented, then the performance of the government will also be good. The research result Arsyiati et al. (2008), Safwan et al. (2014), Rafar et al. (2015), Subadriyah and Rohman (2015), Irwan (2016), and Riawan (2016) which states that the effect on the performance quality of human resources. The better quality of human resources in an organization is resulting better performance. Based on the review of the literature and previous research that has been described, it can be described conceptual framework of the following research:

Figure 1. Conceptual Framework

#### *2.4. The Effect Of Accountability on The Financial Management Performance*

In order to realize financial management, orderly and accountable in accordance with the law, any government agency shall be accountable for all activities that have been carried out, either financial or non-financial, to a higher authority (vertical accountability) as well as to the general public (horizontal accountability) (Renyowijoyo, 2012: 14). Government as an agent, which in this case is a technical implementation unit (UPT) KLHK in NTB given the mandate to manage the budget of the Ministry of Environment and Forestry (KLHK) for NTB shall assign responsibility for all activities related to financial management to KLHK that in the center (Jakarta) as a higher authority or to the people. The financial statements as a form of accountability in financial management should present financial information is complete and in accordance with government accounting standards. Based on Goal Setting Theory perspective, an agent must have organizational goals that are specific, clear and measurable so as to be able to give the best performance. Implementation of the various indicators of accountability in the management of public funds will improve the performance of financial management.

**H1.** *Accountability has positive effect on the financial management performance*

#### *2.5. The Effect Of Accountability On The Financial Management Performance*

Transparency is one of the conditions the creation of good governance in which people are given the freedom to gain access to information on governance, information on policy, planning and implementation and the results achieved. Transparency can also be used as the control of the public against state financial management and reduce the occurrence of corruption and policy. Government as an agent must have a more stout information related to the management of funds mandated by the people, so that it becomes an obligation for the government to deliver financial accountability in the form of financial statements in their entirety. The principle of transparency by Werimon et al. (2007: 8) covers two aspects, namely the public communication by the government, and the people's right to access to information. With transparency, the government as an agent is required to have clear objectives and measurable, and is expected to develop extensive communication with the principal (society), related to various things in the context of development with regard to the community. The application of law (15/2004) on the assessment and management of state financial responsibility

requires the government to conduct examination report on the transparency of financial statements which have been submitted to the Parliament (DPR) by BPK. The impact of the transparency principle application is more careful and circumspect in the heart of the government apparatus works that will eventually be able to produce a good performance.

## **H2.** *Transparency has positive effect on the financial management performance*

### *2.6. The Effect Of Internal Control System On The Financial Management Performance*

Arens et al. (2003: 270) states that the internal control system consists of the design of policies and procedures that can be used by management to provide confidence that the organization can achieve the goals and ideals. AICPA (American Institute of Certified Public Accounting) stated that internal control is very important, among others, to provide protection for the entity against human weakness as well as to reduce the possibility of errors and actions that are not in accordance with the rules. Implementation of internal control is good then it will be easier the organization in achieving its goals (Wilopo,2006).

Goal setting theory reveals that clear and specific goals that will lead to achievement of better performance. The existence of a clear organizational goals and measurable results needed to prevent the diffusion of energy organization (Rangan, 2004). Based on agency theory, the existence of contractual agreements made between the principal and the agent requires the agent to work under the contract to realize the goals set. SPI will oversee and control so that the objectives set out in the financial management of each process running properly in accordance with the purpose according to applicable regulations. Several previous studies indicate that the implementation of the internal control system has positive influence on the performance conducted by the Goddess (2012), Simangungsong (2014), Permatasari (2014), Azlina and Amelia (2014), Mary et al. (2014), Collins (2014) and Maharani et al. (2015). Thus it can be said that the improvement of the internal control system will improve the financial management performance.

## **H3.** *SPI has a positive effect on the financial management performance*

### *2.7. The Effect Of Human Resources Competency On The Financial Management Performance*

The entire financial management activities can be done well if implemented by the competent financial managers. Gordon (1988) in Sutrisno (2009: 204) suggests that the aspects contained in the

concept of competence includes knowledge, understanding, abilities, value, attitude and interest. Financial managers competency will determine the achievement of financial management objectives. Based on the goal setting theory, the purpose of clarity must contain principles that are measurable, clear and provide a challenge to employees. Specific goals, high leads to a higher performance level than the destination that is easy or vague (Locke and Latham, 2006). To that end, the individual must have a sufficient ability to receive and understand the specific goals, it is difficult in order to achieve results / achievements are better and receive feedback related to performance (Latham, 2003). Based on agency theory perspective, the employment contract between the principal and the agent requires the agent to carry out all the activities stipulated in the employment contract properly. For this reason the agent should have appropriate competence in order to achieve the agreed goals.

**H4.** *Human resources competency has a positive effect on the financial management performance*

### **3. Research Method**

This research is quantitative research. Based on its level, it can be categorized as explanatory research. The population in this research is 131 people which are all apparatus involved in the financial management at the four technical implementation unit (UPT) of the Ministry of Environment and Forestry (KLHK) in NTB. Sample collecting method used is purposive sampling which is 49 people from management officer of Budget Implementation List (DIPA) that were appointed by the head of each UPT KLHK in NTB based on official decree (SK). DIPA management officers are based on Law No. 1 of 2004 about the state treasury specifically about the state treasury officials. As for the official treasury of DIPA appointed by decree of the leadership work unit consists of: (1) 4 people as The Budget Authority (KPA), (2) 11 people as Committing Officer (PPK), (3) 4 people as Official Testers Bills and Signing SPM, (4) 5 people as Treasurer Expenditure, (6) 2 people as Treasurer Receipts, (7) 4 people as the clerk of business administration Employees Spending (PPABP) and (8) 19 people as staff member of Finance Management.

### 3.1. Data Collection Technique

The data used in this study were primary data collected using questionnaires. The research questionnaire contained a list of questions prepared logically and it was a closed questions. Each variable was measured using semantic difference scale. Indriantoro and Supomo (2014: 105) state that semantic differential scale is an attitude measurement method using 7 clauses rating scale stating two poles (bipolar) extreme judgments verbally. Widoyoko (2014: 118) argues if respondents give 7 in ratings, it means that the respondents have positive response towards the object questioned while if respondents give 1 as answer, it can be conclude that the perception of respondents is negative. To determine the grade of category based on analysis of the questionnaire, the grade interval was assessed by the formula below :

$$\text{Interval Grade} = (\text{highest value of the scale} - \text{lowest value of the scale}) / (\text{Number of categories or classes determined})$$

The highest value in this study was 7 and the lowest was 1 came from the scale of questionnaires assessment and number of class was 5, thus obtained class interval = 1.2.

Categories and ranges of values for each alternative answers to the questionnaire as a guide for classifying the assessment results can be seen in Table 1.

Table 1. Range of Values and Categories

Variable Categories	Interval				
	$1 \leq x \leq 2,2$	$2,2 < x \leq 3,4$	$3,4 < x \leq 4,6$	$4,6 < x \leq 5,8$	$5,8 < x \leq 7$
Accountability	Bad	Poor	Adequate	Good	Excellent
Transparency	Bad	Poor	Adequate	Good	Excellent
SPI	Bad	Poor	Adequate	Good	Excellent
Human resources competency	Bad	Poor	Adequate	Good	Excellent
Financial management Performance	Bad	Poor	Adequate	Good	Excellent

### 3.2. Operational Definitions And Measurement Variable

Exogenous variables

- (1) Accountability is an obligation of the technical implementation unit (UPT) of the Ministry of Environment and Forestry (KLHK) in providing accountability, serving, reporting, and disclosing all activities that are its responsibility related to financial management (DIPA) to the party that has the right and authority to examine it. Indicators used to measure accountability refer to Ellwod

(1993) in the Mahsun (2006: 86) and Rasul (2002: 11) consisting of: 1) law accountability and honesty, 2) process accountability, 3) program accountability, 4) policy accountability, 5) financial accountability

- (2) Transparency is a principle which guarantees freedom of every person to obtain sufficient, accurate, and punctual information related to the responsibilities of the Ministry of Environment and Forestry (KLHK) towards financial management / DIPA. The principle of transparency is measured by adopting indicators Krina (2003), Annisaningrum (2010), and Auditya (2013) consisting of: 1) an open accountability, 2) budget document accessibility, 3) public services process standardization, 4) accommodated people's opinion, 5) financial management policy accessibility 6) rights to know the results of the audit
- (3) The internal control system is an integral process towards actions and activities continuously performed by the employer and all employees to provide reasonable assurance for the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding of the state assets, and compliance with legislation. In this study, the SPI indicators is adopted based on Government Regulation No. 60 of 2008 regarding the internal control system of the government including 1) enforcement of integrity and ethical values, 2) condusive leadership 3) appropriate authority and responsibilitydelegation , 4) an effective government internal control apparatus' role 5) risk identification, 6) risk analysis, 7) financial statements review, 8) information systems management control, 9) physical control over assets, 10) review of financial performance indicators, 11) functions separation, 12) an accurate and punctual transactions and events recording, 13) identified, acquired, and distributed relevant informationto authorized party, 14) an effective internal communication establishment, 15) continued monitoring, 16) separated evaluation.
- (4) Human resources competency is the basic characteristics of every financial manager in conducting their duties and responsibilities that might be resulting a superior performance. The indicators used to measure the competence are adopted from Gordon (1988) in Sutrisno (2009: 204) and Wibowo (2007) which includes: 1) knowledge, 2) understanding, 3) skill, 4 ) value, 5) attitude, 6) interest, 7) motivation, and 8) experience.

Exogenous variables

(1) Financial management performance is the level achievement of the financial management officer (DIPA manager) activities implementation at UPT NTB KLHK in accordance with the position and authority in realizing organization goals, objectives, vision and mission. Financial Management Performance is measured by indicators of achievement of the activities implementation in planning, implementation, supervision, accountability (law 15/2004), which include: 1) programs / activities planning, 2) budget planning, 3) programs implementation, 4) funds disbursement implementation, 5) economical principles implementation, 6) efficiency principles implementation, 7) effectiveness principles implementation, 8) activities evaluation, 9) the audit process influence, 10) monthly accountability reports, 11) financial reports honesty presentation, 12) The financial statements based on the regulations.

### *3.3. Analysis Data Methode*

Data analysis methods in this research was a Partial Least Square (PLS) using Smart PLS 3.0 software. Word (1985) states that Partial Least Square (PLS) analysis is a powerful analytical method because it does not rely on many assumptions. Evaluation model using PLS was performed by assessing the results of outer model measurements, followed by the evaluation of the structural model (inner model) and significance testing to examine the effect of inter-constructs or variables.

Measurement model (outer model) examination was conducted by validity and reliability tests. The validity test includes convergent validity and discriminant validity. A latent construct was assessed as having a good convergent validity if the value of the loading factor is more than 0.7 for studies that are confirmatory and loading factor value between 0.6 - 0.7 are for exploratory research that is still acceptable (Ghozali and Latan, 2015: 74). Discriminant validity was assessed by comparing the square root of Average Variance Extracted (AVE) for each construct to the correlation between the constructs in the model. A good discriminant validity was demonstrated on the square root value of AVE for each construct which is higher than the correlation between the constructs in the model. Recommended AVE value must be greater than 0.50. To measure the reliability, it was conducted by using composite reliability with value  $> 0.7$  (Ghozali and Latan, 2015: 75).

Evaluation of structural model (inner model) is carried out by considering the value of R square to explain the predictive power of the structural model (Ghozali and Latan, 2015: 78). Hypothesis testing is conducted by considering the value of estimate for the path coefficient. In this study, the hypothesis could be accepted if it has t statistic value (t) in the table of Smart PLS path output coefficient of 3.0 is higher than t-table (1.68) with a confidence level of 95% (alpha 5%).

## **4. Results**

### *4.1. Characteristics Of Respondents*

Based on data analysis of 41 respondents (83.68%) , the information regarding the characteristics of the respondents has been obtained as follows:

1. In terms of gender, it is known that the number of male and female financial managers at Unit KLHK in NTB is not much different, which are 22 people (53.66%) and 19 people (46.34%) respectively. This phenomenon indicates that both men and women have the same opportunities to become a financial manager at UPT KLHK in NTB. Robbins (2015: 29) reveals that there is no a consistent differences between men and women in problem-solving skills, analytical skills, competitive urge, motivation, ability to socialize, or ability to learn.
2. Characteristics of respondents by age shows that most respondents are people aged over 40 years by 18 people (43.91%) and respondents aged 31-40 years by 17 people (41.46%). This result indicates that the respondents were in range of productive age.
3. Based on years of service, majority of respondents have a tenure of more than ten years that is equal to 70.73%. In general, the apparatus with longer tenure is identified to have better confidence, work experience, and understanding of job.
4. Based on level of education, most respondents have undergraduate education level (S1) which is 49.78%. Generally, the apparatus with higher level of education have better understanding about their responsibilities as well as learning and understanding the regulations related to their job.

## 4.2. Descriptive Statistics

Tabel 2. Descriptive Statistics

Variabel	N	Min	Max	Mean	Std. Dev
Accountability	41	3.6	7	5.82	0.919
Transparency	41	1.17	6.67	4.00	1.638
SPI	41	2.44	7	5.53	1.061
Human resources competency	41	3.25	7	5.93	0.951
Financial management performance	41	2.83	7	5.62	1.134

Based on Table 2 , it is known that the average of respondents reactions to the accountability and human resources competence variables is 5.82 and 5.93 respectively. This suggests that these two variables are at intervals of five (excellent), which means that every financial manager has a very good the basic characteristics in carrying out their duties and responsibilities and can present the responsibility, serve, report, and disclose all activities and events related to financial management (DIPA) to the authorized party. The average response of respondents to transparency variable is at the third interval (adequate) by 4.00. It illustrates that transparency in financial management on UPT KLHK in NTB have been implemented. Respondents response to the financial management performance variables in average is at the fourth interval (good) by 4.62. It indicates that the achievement level of the financial management officer's (manager DIPA) events at UPT NTB KLHK in accordance with the position and authority in achieving the goals, objectives, vision and mission of the organization is in a good level.

### 4.3. Evaluation of Measurement Model (Outer Model)

Based on the data results is performed using the Smart PLS 3.0, obtained the following results:

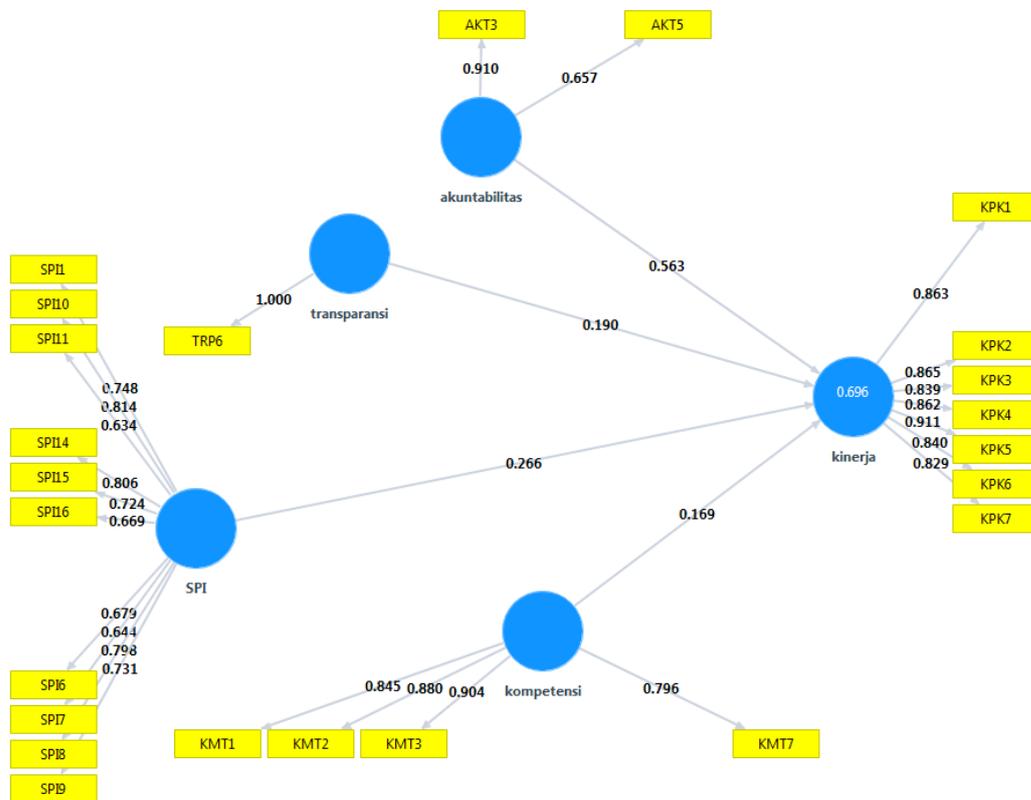


Figure 2. Path Diagram

Table 3. Values AVE Square Roots and Correlation among Constructs in Model

	accountability	transparency	SPI	competency	performance
accountability	0.793				
transparency	0.057	1.000			
SPI	0.515	-0.048	0.728		
competency	0.229	-0.156	0.546	0.857	
performance	0.749	0.183	0.639	0.413	0.859

Table 4. Values AVE dan *Composite Reliability*

	AVE	<i>Composite Reliability</i>
accountability	0.630	0.768
transparency	1.000	1.000
SPI	0.529	0.918
competency	0.734	0.917
performance	0.738	0.952

As can be seen from Figure 2 (path diagram), the indicators on each variable has loading factor value  $> 0.6$ . The value of AVE square root in each construct is also greater than the correlation value of constructs in the model (see table 3) and the value of each variable AVE is  $> 0.5$ . Furthermore, the

composite reliability value of each variable is > 0.7 (see table 4). Consequently, it can be said that all the variables have met the requirements of model validity and reliability (qualified and reliable).

#### 4.4. Evaluation Of Structural Model (Inner Model)

Structural model examination is carried out by analysing the R square value of endogenous construct in bootstrapping process. R square value of management performance variables is shown in Table 5:

Table 5. The value of R square

	R square
Financial Management Performance	0.696

Based on Table 5, the value of R square is equal to 0.696. It reveals that the variables of accountability, transparency, internal control systems, and human resource competencies can explain the variable of financial management performance by 69.6%, while 30.4% is explained by other variables apart from the research.

Hypothesis analysis is conducted by considering the value of path coefficient. The result is shown in Table 6:

Table 6. Summary of Hypothesis Testing

Hipotesis	Coefficient	T Statistic	T Tabel	Conclusion
H <sub>1</sub> : Accountability positive effect on the financial management performance	0.563	5.197	1.68	H <sub>1</sub> accepted
H <sub>2</sub> : Transparency positive effect on the financial management performance	0.190	2.554	1.68	H <sub>2</sub> accepted
H <sub>3</sub> : SPI positive effect on the financial management performance	0.266	2.180	1.68	H <sub>3</sub> accepted
H <sub>4</sub> : Human resources competency positive effect on the financial management performance	0.169	1.526	1.68	H <sub>4</sub> rejected

Thus, structural equation models (inner model) is generated that is

$$KPK = 0.563 AKT + 0.190 TRP + 0.266 SPI + 0.169 KMT + \zeta$$

#### *4.5. The Effect Of Accountability On The Financial Management Performance*

According to Table 6, it is known that the first hypothesis analysis which states that the accountability positively affects financial management performance shows the test results of positive correlation parameter coefficient is 0.563 with t statistic  $5.197 > 1.68$  (t-table) and alpha 5%, which means that accountability has a positive and significant effect on the financial management performance (H1 accepted). The results of the data analysis find that the program and financial accountability that forms public accountability has been able to influence the performance of financial management. The designated program / activity and budget has been deliberated to achieve the organization target / objectives. The financial statements, as a form of accountability related to financial management, presents financial information completely as an economy events illustration of the institution during the period. This result is in accordance with the goal setting theory and agency theory which state that the organization has acquired clear and measurable objectives as the programs designed by organization support the strategy for achieving the vision, mission, and goals of the organization as well as the financial statements are well presented to the authorized parties. The results are consistent with Taufik and Kemala (2013), Auditya et al. (2013) Azlina and Amelia (2014), Raharjo et al. (2015), Wiguna et al. (2015), Susan et al. (2016) which show that accountability has positive effects on performance.

#### *4.6. The Effect Of Transparency On The Financial Management Performance*

The results of parameter coefficient values analysis show a positive association by 0.190 with a value of t statistic  $2.554 > 1.68$  (t-table) with alpha 5%, which means that transparency affects positively and significantly on the performance of financial management (H2 accepted). It means that the better transparency, the better financial management performance. The results support the agency theory that revealed that an agent in providing accountability, serving, reporting, and disclosing all activities charged to the employer (principal) must obey the principle that the information provided must be honest, adequate, accurate, and punctual. Society has a right to know the results of the audit related to financial management. The results also support the goal setting theory which is by the clarity in funds expenditure planning that will allow community organizations to assess the suitability of planning and realization. Some of the previous studies that support this research are Wiguna et al.

(2015), Rafar et al. (2015), and Susan et al. (2016), which revealed that the transparency have impacts on performance.

#### *4.7. The Effect Of Internal Control System On The Financial Management Performance*

The parameter coefficient test results showed a positive association by 0.266 with a value of t statistic  $2.180 > 1.68$  (t-table) and alpha 5%, which means that the internal control system (SPI) has positive and significant impact on the performance of financial management, thus the third hypothesis is accepted. It revealed that the elements of internal control consists of integrity enforcement and ethical values, risk analysis, financial statements review, information systems management control, physical control and assets, indicator of financial performance review, an effective internal communication establishment, regular monitoring and evaluations in the organization. The results support the agency theory that states the contract agreement made by principal and agent requires the agent to work as the intended purpose. Implementation of internal control is one alternative to afford an assurance to the agent that the objectives of the organization as mentioned in the employment contract will be executed properly. A well implemented internal controls will protect the entity against human weakness as well as reduce the possibility of errors and irresponsible actions. In addition, the organization is demanded to determine the clarity of organizational goals and measurable results in accordance with goal setting theory. SPI aims to supervise and control the organizational objectives in order to be implemented in accordance to the valid regulations. These results are consistent with the previous studies conducted by Goddess (2012), Simangungsong (2014), Permatasari (2014), Azlina and Amelia (2014), Mary et al. (2014), Collins (2014) and Maharani et al. (2015) which states that the implementation of internal control system has positive effects on performance

#### *4.8. The Effect Of Human Resources Competency On The Financial Management Performance*

The coefficient parameter test results a positive correlation by 0.169 with statistical value  $1.526 < 1.68$  (t-table) and alpha 5%, which means that the HR competence has no significant effects on the financial management performance. As a result, the fourth hypothesis fails to be accepted. It happened because the human resources of financial manager could not optimize their competence. A high performance is influenced by two factors namely individual and environmental (Byar and Rue, 1984 in Sutrisno, 2009: 151). Therefore, it can be said that although the competence of financial management

is excellent, but it would not reach an optimum performance if it is not supported by the environmental factors. The environmental factors that support human resources to improve their performance including physical conditions, equipments, time, materials, education, supervision, organization design, training, and fortune (Sutrisno, 2009: 151-152). The presence of some particular finance administrators who have other jobs outside of finance resulted bigger responsibility for their duty causing activities accumulation especially at the end of the fiscal year. An excessive workload would deteriorate physical condition and increase pressure that might inhibit the achievement of the goals. People with excessive workloads tend to have insufficient time to finish their job. Excessive workloads also might cause insomnia, bad temper, increased errors, and indecision (Gibson et al., 2003: 346-348). In addition, rewards system also can be considered as an alternative to improve the employees' performance. Verbeeten (2007) revealed that most employees tend to improve their performance in order to achieve individual targets and incentives plays a fundamental role to motivate and monitor their performance because the individual has a utility to increase wealth. This study, therefore, has not been successful in supporting the agency theory which states that the employment contract between the principal and the agent requires the agent to well perform all the activities stipulated in the contract of employment and goal setting theory that states difficult goals will be achieved when an individual has a high self-efficacy. Self-efficacy is the belief in a person associated with the skills and competencies related to a job (Lunenbug, 2011). People who have high self-efficacy are more likely to develop an effective tasks strategy which eventually lead to the performance (Locke and Latham, 2006). The results of previous studies which are consistent with the results of the fourth hypothesis testing are the research of Widiasmoko (2011), Arifai and Abrar (2013) which reveals that human resources (HR) has no significant effects on the financial performance. These results differ from the results of research conducted by Arsyati et al. (2008), Safwan et al. (2014), Rafar et al. (2015), Subadriyah and Rohman (2015), Irwan (2015) and Riawan (2016) which states that human resources competencies have a significant effect on performance.

## **5. Conclusion, Implication And Limitation**

### *5.1. Conclusion*

Based on the data analysis, it can be concluded that the accountability, transparency and internal control systems have significant effects on the financial management performance at the technical implementation unit (UPT) of the Ministry of Environment and Forests (KLHK) in NTB. This result shows that the higher the accountability, transparency, and SPI will improve the performance of financial management. Whereas, human resources competencies have no significant effects on the performance of financial management. This means that the financial manager human resources competencies that currently exist in organizations have not been able to significantly improve the performance of financial management.

### *5.2. Implication*

Theoretically, the implications of the findings of this study can be used as a reference for research in field of public sector accounting in particular related to financial management in the Ministry/ Agency and can explain the use of agency theory and goal setting theory in relation to the financial management performance and can be used. Practically, the results of this study provide an overview and information regarding the implementation of accountability, transparency, SPI, and human resources competencies which influence the performance of financial management at UPT KLHK in NTB. In fact, human resources competencies of financial operators in UPT KLHK in NTB have not been able to improve the performance of financial management, thus the head of each Unit shall strive and create specific strategies, especially with regard to environmental factors supports to optimize the role of human resources in the performance improvement of financial management. In terms of policy, this research can be considered as a material for decision makers in organizations in establishing policy about the procedures for determining the treasury officials.

### *5.3. Limitation And Suggestion*

Limitations of this study include, firstly, the scope and number of samples is limited which is only the DIPA official managers at the technical implementation unit (UPT) of the Ministry of Environment and Forestry in NTB , hence the findings cannot be implied in other ministries' work units

. Secondly, variables affecting the financial management performance can only be seen from four exogenous variables namely accountability, transparency, SPI, and HR competencies, thus other variables that theoretically affect the performance of financial management could not be explored further. Third, this study used questionnaire method using first order analysis in data collection so the information obtained is limited.

For further research, the object of research could be extended for example UPT KLHK in Bali and NTB by increasing the number of samples from outside DIPA financial managers such as procurement officials and recipients of government goods and services. Subsequent research can also add more study variables such as organizational commitment and reward as exogenous variables that affect the performance of financial management. Further research might also consider questionnaire with second order or third order analysis approach, therefore the latent variables can be specifically examined through the dimensions and more detail indicators.

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