

INTERNAL CONTROL ON BUDGET REALISATION REPORTS IN THE FOOD AND DRUG CONTROL AGENCY

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ABSTRACT

The Budget Realisation Report can also be used as a tool for stakeholders in making decisions. In order to achieve effective, transparent and accountable state financial management, internal control activities are carried out to determine the accountability value of a budget realisation report. Therefore, this research was conducted with the purpose of knowing the influence of internal control on the accountability of the Budget Realisation Report. The sample used was 30 people in the financial sector office at the Deputy for Processed Food Production Supervision of Indonesia. The data used is quantitative data in the form of primary data sources directly from respondents through questionnaires. The analytical techniques used in this study include: 1) Descriptive Statistical Test; 2) Classical Assumption Test; and 3) Multiple Linear Regression. This paper shows that internal control has significant impact on budget realisation report accountability. The significant of the result is to prove that physical internal control is not working without IT internal control.

Keyword: Budget Realisation Report, accountability, internal control

1.0 INTRODUCTION

The implementation of work from home and mobility restriction requires employees to adapt so that they can work not only in the office, but also outside the office environment. This also applies to the scope of government, both regional and central. Government agencies are required to maintain good performance even in a pandemic situation. One of the government agencies that has been highlighted during the pandemic is the Food and Drug Supervisory Agency (FDA). The role of BPOM is currently quite strategic in carrying out the task of supervising the circulation of drugs and food in Indonesia. In addition, FDA is also responsible for supervising the circulation of the Covid-19 vaccine in Indonesia. Seeing the duties and responsibilities they have is expected to have a good performance in an effort to help the community in handling Covid-19.

One of the indicators that can be used to see the performance of a government agency is how they manage the budget. The budget is the backbone in administering the government (Rahayu, 2017). Basri (2013) argues that the budget is a future financial plan that includes management's expectations of revenues, costs and other financial transactions within one year. Budget management in government agencies is very important to be carried out in a measurable and transparent manner. Budget realisation report is one of the accountability tools in implementing programs or activities that use the public's money. The output of budget management transparency is the Budget Realisation Report (BRR). This report is the result of an accounting process, namely the activity of collecting financial data which is presented in the form of a report that can be used as a tool for stakeholders in making decisions. Every government agency including the Food and Drug Supervisory Agency of Indonesia needs to

prepare a Budget Realisation Report (BRR) as a form of accountability. This report can provide an overview of the financial performance conditions that have been achieved by the Food and Drug Supervisory Agency.

2.0 LITERATURE REVIEW

In order to find out how the activities of the internal control system are implemented in the Food and Drug Supervisory Agency, knowledge and theory are needed about the concept of the internal control system. Hall (2016), in the book Accounting Information Systems provides an overview of the basic concepts of internal control including:

- a. Internal control is a process to achieve certain goals, not the goal itself. Internal control is a series of pervasive actions, namely controls that have been planned in the form of policies or procedures and become an inseparable part, not only as an addition to the entity's infrastructure.
- b. Internal Control is run by people. It does not only consist of every level of the organisation which includes the board of commissioners, management and other personnel.
- c. Internal Control can be expected to provide reasonable assurance, not absolute assurance, to the entity's management and board of commissioners. The limitations inherent in all internal control structures and the consideration of benefits and sacrifices in achieving control objectives because internal control cannot provide absolute assurance.
- d. Internal control is aimed at achieving interrelated objectives, namely financial reporting, compliances and operations.

Warren, et al. (2004) explain that internal control has four objectives that can provide reasonable assurance in detail: 1) Assets Protected and Used to Achieve Business Goals. If the internal control system runs well, it will be able to anticipate fraud, waste, inefficiency, and misuse of company assets; 2) Information is Accurate. The reliability of accounting data or information is used by management in making decisions to increase the accuracy and reliability of accounting data; 3) Boost Efficiency. The company's policy is able to provide certain benefits by monitoring every sacrifice that has been made in order to get the best results 4) Company's Activities in Accordance with Applicable Procedures. To achieve the company's objectives, the policies, procedures and internal control systems are designed to provide reasonable assurance that the policies and procedures established by the company will be followed by all employees. Physical Internal Control consists of Transaction Authorization, Segregation of Duties, Supervision, Accounting Records, Access Control and Independent Verification (Hall, 2016).

Transaction Authorisation validates transactions before other modules accept and act on them. The transaction authorisation process is carried out in order to ensure that application users can only carry out transaction activities that have been adapted to their individual needs. Segregation of Duties is an activity to separate tasks in one process from other processes in one cycle of activities. This is done to avoid someone's dominance in a process that triggers fraud. Supervision is a form of supervision carried out because the responsibilities of manual transaction activities will change, supervisors need to understand the new system technically and operationally. Usually by implementing an ERP (enterprise resource planning) system in an organization, many new responsibilities will be handed down to employees who have authorisation for the new system. Accounting Records is related to the risk of still being in the accuracy of financial records. This can be reduced by increasing accuracy in data entry through the use of standardised values, cross-checking and displaying data for specific users. This view is generated from the records of all transactions that occur. Access Control is important because security weaknesses can result in transaction errors, irregularities, data corruption and financial statement misstatements. Security administrators need to be in place, to control accessible tasks and operations or to allow manipulation of corporate data. Independent Verification improves correct and complete transaction verification activities from procedures performed by the system and other users.

Information technology (IT) internal control theory was put forward by Moeller (2014) in his book entitled COSO Enterprise Risk Management. In theory, IT internal control consists of General Controls and Application Controls.

- a. General Controls, general information systems controls cover hardware, software, and administrative controls that apply to all systems and applications, including: 1) Reliability of information system processing; 2) Data Integration; 3) Program Integration; 4) Control over Proper System Development and Implementation; 5) Process Continuity (Back-up Data).
- b. Application Controls, applied to individual application systems and in addition to the overall general controls. Applications that have a good main planning strategy, allow the company to have stronger application control. Application control consists of: 1) Control over Application Inputs; 2) Self-Balancing and Other Financial and Data Controls; 3) Application Output Components.

The Budget Realisation Report is a public data that must be published as a form of transparency on the budget management of a government agency. Maione et al. (2021) in their research have identified indicators that a data can be said to be accountable in the form of an analytical framework. The indicators consist of:

- a. Extrinsic characteristic that consisted of several aspects such as: visibility, granularity (data details) and accessibility.
- b. Intrinsic characteristic that consisted of connectivity and completeness, punctuality and clarity data; comparison; relevance and accuracy.

This research hypothesis is arranged as follows:

- H1: Physical Internal Control has a positive effect on the Accountability of the Budget Realisation Report
- H2: Information Technology Internal Control has a positive effect on the Accountability of the Budget Realisation Report
- H3: Physical Internal Control and Information Technology Internal Control have a positive effect on Accountability of Budget Realisation Report.

3.0 METHOD

This research used quantitative research method. In this study, the unit of analysis that was used as the object of research is the Food and Drug Supervisory Agency (FDA). FDA is a non-ministerial government agency that carries out government affairs in the field of drug and food supervision. FDA is responsible to the President through the minister who carries out government affairs in the health sector. In the work procedures of the Technical Implementing Unit, one of which is the Deputy for Processed Food Supervision, which has the task of organising the preparation and implementation of policies in the field of processed food supervision. The population in this study involved all employees in the financial sector at Deputy for Processed Food Control. The number of samples is 30 respondents, as acceptable sample number (Hair, 2014). This study involved three variables consisting of two independent variables and one dependent variable. The independent variables are physical internal control (X1) and information technology internal control (X2), while the dependent variable is Accountability of Budget Realisation Report (Y).

The questionnaire was done by giving several questions or written questions to the respondents to be answered. Research instruments are expected to produce accurate quantitative data, so each instrument must have a scale. The data collection is done by giving a scale called the Likert scale 1-5. A score of 1 is a statement of disagree, while 5 is a statement of strongly agree. after data collection, the data test is carried out in the following order (Ghozali, 2011):

- a. Validity test. A valid instrument means that the measuring instrument used to obtain data (measure) is valid. In this case, valid means that the instrument can be used to measure what should be measured. Testing the validity is the correlation technique through the

Pearson product moment correlation. If the Pearson correlation is positive and the magnitude is more than 0.3, then the item in question is declared valid. Conversely, if the value is less than 0.3 then the item declared is invalid.

- b. Reliable test. This test is an instrument which when used several times to measure the same object will produce the same data. The most appropriate reliability test to use is to use Alpha's Cronbach or also known as alpha coefficient. The range of alpha coefficient values ranges from 0 (no reliability) to 1 (perfect reliability).
- c. Classic test. Data interval or ratio, Linearity, Normality, Heteroskedasticities, Outlier and Multicollinearities.
- d. Regression test. Multiple linear regression used in this research. Multiple linear regression is a regression model that involves more than one independent variable. Multiple linear regression analyses are carried out to determine the direction and how much influence the independent variable had on the dependent variable.

4.0 RESULT AND DISCUSSION

Table 1. Statistic Test Result

Statistic Test	Indicator
Validity test	Pearson product moment score > 0.3
Reliability test	Alpha coefficient between 0 - 1
Classical assumption test	Normality test using One Sample Kolmogorov Smirnov > 0.05 Multicollinearity (Variance Inflation Factor (VIF) > 0.1 Heteroscedasticity using scatterplot that does not form a shape
T test	H1 where X1 to Y significant level > 0.05 H2 where X2 to Y significant level < 0.05
F test	H3 where X1 and X2 simulant to Y significant level < 0.05
R square	0.804

H1: The significant value of Physical Internal Control has a positive effect on the Accountability of the Budget Realisation Report of 0.409, which means above 0.05. Physical internal control has no effect on the accountability of the Budget Realisation Report.

H2: The significant value of Information Technology Internal Control has a positive effect on the Accountability of the Budget Realisation Report of 0.000, which means below 0.05. Information technology internal control has a positive effect on the accountability of the Budget Realisation Report.

H3: The significant value of Physical Internal Control and Information Technology Internal Control has a positive effect on the Accountability of the Budget Realisation Report of 0.000, which means below 0.05. Physical internal control and information technology internal control have a positive effect on the accountability of the Budget Realisation Report.

Based on the results of the coefficient of determination through the processed data, the R Square value is 0.804. This value shows the influence of Physical Internal Control and Information Technology Internal Control is 80.4% and the remaining 19.6% is influenced by other variables outside the research variables.

5.0 CONCLUSION

An accountable financial report comes from a qualified information system. An information system will work well if there is internal control applied for the physical and IT activity. This paper shows that internal control increases the accountability of budget realisation reports in

the Food and Drug Supervisory Agency of Indonesia. But, the study also found that physical internal control is not working without the existence of IT internal control.

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