

CHAPTER II

LITERATURE REVIEW

A. Theoretical Framework

1. Stewardship theory

Stewardship theory has the roots of psychology and sociology that are designed to explain the task by which the manager is a servant and acts according to the owner (Raharjo, 2007). In the stewardship theory managers will behave according to common interests. If there is no similar interest between steward and the owner, the steward will try to work together on the same things, because the steward feels beneficial together and behaves according to the owner's behavior which is the responsibility because the steward looks more at the effort to achieve organizational goals.

The stewardship theory of relationship relations between companies and owner satisfaction. Stewards will be utilized by organizations with company performance, so that with an efficient function will be maximized (Keay, 2017). The important assumption of stewardship is that the manager aligns the objectives according to the owner's goals. However, it does not mean the steward does not have life necessities.

The Government seeks to improve its performance as best as possible to achieve the goals of the organization for the creation of good governance and not to promote personal or individual affairs. As a steward, the government feels the need to hold accountable for what has been done as a form of public accountability. Accountability by the government is not

a compulsion from the stakeholders, but it is the responsibility as stewards and as a form of service to interested parties (Davis et al, 1997).

2. Accountability Public

Accountability is the public accountability of every activity undertaken. Public accountability is the obligation of the party holder (agent) to provide accountability, presenting, reporting and disclosing various activities and activities that are responsible to the principal having the right and authority to hold those responsibilities (Mardiasmo, 2006).

Mahsun, M (2006) uses the term public accountability, which means information and disclosure of financial processes and performance to the parties concerned with the report. Mahsun, M (2006) divides public accountability into two kinds, namely (1) vertical accountability and (2) horizontal accountability. Vertical accountability is accountability for higher fund management, such as accountability of work units to local governments, accountability of local governments to the central government, and the central government to the MPR. Horizontal liability is the responsibility of the wider community.

In implementing accountability within government institutions, it is necessary to observe the principles of accountability, as quoted LAN and BPKP (2000: 43) as follows: (1) There must be commitment from the leadership and all staff to execute the executive management mission in order to be accountable. (2) Must be a system that can be used with

applicable resources. (3) Must be able to show the level of goals and objectives that have been determined. (4) Must be directed to the vision and mission as well as the results and benefits obtained. (5) Must be honest, objective, transparent, and creative as a management creditor in the form of updating methods and techniques of measurement work and preparation of accountability reports.

Some forms of dimension of community accountability by local governments are presented by Ellwood in (Mardiasmo, 2006). According to him there are four dimensions of public accountability that must be passed by public sector organizations, namely:

1) Accountability Honesty and Legal Accountability.

Accountability honesty relating to the avoidance of freedom of office (abuse of power), while legal accountability associated with legal provisions and other provisions that led to the use of funds.

2) Process Accountability

Accountability is carried out with procedures used in matters of adequacy of information systems, management information systems, and administrative procedures.

3) Accountability Program

Accountability programs relevant to the appropriate objectives or not, and alternative alternative programs that provide optimal results at minimal cost.

4) Policy Accountability

Policy accountability related to government accountability, both central and local, policies related to DPR / DPRD and the wider community

3. Performance Accountability of Local Government Institutions

The Big Dictionary of Accounting (2000:7) defines accountability as the responsibility of the individual or part/department on the performance of a particular function. Accountability can be defined or formulated through certain legal or contractual rules. Mardiasmo (2006) defines accountability as the relationship between the party in control and regulates the entity with the party having formal power over the controlling party. In the context of governance, government accountability can not be known without the government notifying the people of information regarding the collection of resources and resources and the community and its use (Susanty et al., 2018).

Mardiasmo (2006) also mentions that accountability can be viewed from multiple perspectives, from an accounting perspective, the American Accounting Association states that accountability of a government entity can be divided into four groups: accountability to:

- 1) Financial resources
- 2) Compliance with laws and administrative policies
- 3) Efficiency and economics of an activity

- 4) The results of government programs and activities are reflected in the achievement of objectives, benefits and effectiveness.

While from the perspective of accountability system, Mardiasmo (2006) mentions some of the main characteristics of this accountability system, namely:

- 1) Focus on results.
- 2) Using some indicators that have been selected for performance measurement.
- 3) Produce information useful for decision-making of a program or policy.
- 4) Generate data consistently from time to time.
- 5) Report the results and publish them regularly.

Public accountability that should be done by public sector organizations consists of several dimensions. Mardiasmo (2006) mentions that the dimensions are:

- 1) **Accountability Honesty and Accountability** This Law of Accountability is concerned with the avoidance of misuse of office and is related to the assurance of compliance with other laws and regulations required in the use of public funds.
- 2) **Accountability Process** Accountability processes related to whether the procedures used in performing tasks are good enough in terms of adequacy of accounting information systems, management information systems, and administrative procedures.

- 3) **Accountability** The Program Accountability Program is concerned with the consideration of whether the stated objectives are achievable or not, and whether they have considered alternative programs that provide optimal results for minimal cost.
- 4) **Accountability** The Accountability Policy relates to the accountability of the government, both central and local, on the policies adopted by the government against DPR / DPRD and the wider community.

4. Government Apparatus Competencies

According to the State Personnel Agency (BKN) Competency is defined as the ability and characteristics possessed by a Civil Servants in the form of knowledge, skills and attitudes needed to carry out their job duties. The competency of government officials makes it possible to achieve an effective Government Agency Performance Accountability. In accordance with the second principle of the Preparation of Report on Performance Accountability of Government Agencies, which is based on a system that can guarantee the use of resources in a manner consistent with the applicable laws and regulations. This means that the resources used must be truly consistent and competent in their field in implementing effective government agency performance accountability.

Because competency will affect the performance accountability of government agencies, the successful implementation of general government, development and community tasks will be achieved well if

there is support from the management of human resources, equipment / facilities and infrastructure as well as costs or budgets and support for other common tasks that can facilitate the implementation of the main tasks and institutional functions of the regional government so that adequate accountability is realized for the performance accountability of government agencies (Rofika and Ardiantoro, 2014)

Sofyani, (2013) argues that competence affects the level of organizational performance. The entire individual competence is essentially formed by expertise, namely intellectual and physical matters. Individual competencies such as management skills in all organizations are an absolute factor that must be owned by the apparatus, both top level and staff level. This is an advanced condition for an organization. Having an apparatus who has high competence will improve the overall performance of the organization.

5. Accounting Control

Internal control by Mardiasmo (2006), internal controls include organizational structure, methods and measures coordinated to safeguard organizational wealth, check the accuracy and reliability of accounting data, encourage efficiency and encourage compliance with policies. According to the Professional Standards of Certified Public Accountants (2011) internal control as a process undertaken by board of commissioners, management and other personnel entities designed to provide reasonable assurance about achievement of the following three categories: (a) reliability of financial

reporting, (b) effectiveness and efficiency of operations, (c) compliance with applicable laws and regulations. Law no. 23 of 2014 on Regional Government and Law no. 33 of 2004 on Fiscal Balance between the Central Government and Local Government requires the government to fulfill accountability by taking account of several matters, among others: budget, accounting control, and reporting system.

6. Legislation Compliance

In the case of the formation of government accounting in accordance with the characteristics and aims to meet the accountability of adequate state finances, the United Nations (UN) issued a manual for government accounting that can meet the requirements of law and legislation. Secara logical , the preparation of accounting theory is a sequential process that begins with the development of the objectives of the financial statements and ends with the decline of a conceptual framework or constitution to be used as a guide to accounting techniques. According to Belkaoui (2006), the conceptual framework refers to the financial accounting standars boards (FASB), by far the most prominent project and the creation of an accounting constitution. This Constitution should obtain general acceptance, demonstrate collective behavior and protect public interest in areas affected by financial reporting.

State finances managed in government, must be accounted for in accordance with the mandate of the constitution. Implementation of this

function in Indonesia is regulated in the 1945 Constitution Article 23 paragraph 5 and the Law of the APBN, government required to make the financial account of the State is part of public accountability that must be submitted by the government on the use of state finances obtained from people's finances and for the purpose of people's welfare .

Regulations are written rules established by state agencies or authorized officials and have binding powers. The purpose of state laws and regulations is to regulate and discipline every life of a nation and a state. By law or regulation, life of nation and state becomes more orderly (Soleman, 2007). Obedience to the rule of law is the obedience of a person in complying with the rules established by the state institution or authorized official and having binding power in order to regulate and discipline every life of the nation and state.

7. Utilization of Information Technology

The development of information technology is not only used in business organizations but also in public sector organizations, including government. In explaining Government Regulation No. 56 of 2005 concerning the Regional Finance Information System states that to follow up the implementation of the development process in line with the principles of good governance, the government and regional governments are obliged to develop and utilize information technology advances to improve the ability to manage regional finance, and channel regional financial

information to public services. The government needs to optimize the use of information technology advances to build a network of management information systems and work processes that enable government to work in an integrated manner by simplifying access between work units (Wessels, 2004).

B. Previous Research

Research on performance accountability of government institutions has also been conducted by Rofika dan Ardiantoro (2014) conducted research on the influence of financial accountability implementation, utilization of information technology, competence of local government apparatus, and obedience to the regulation on performance accountability of government institution of Kuantan Singingi Regency. This research was conducted at 28 OPD of local government of Kuantan Singingi Regency. The results of the study indicate that financial accountability implementation and obedience to the regulation have a positive and significant effect on Performance Accountability of Government Institution. While utilization of information technology, and competence of local government apparatus have a negative effect on performance accountability of government institutions.

Wahid et al. (2016) who conducted research on the effect of budget goal clarity, accounting control, local government official competence, reporting system, and obedience to the laws and regulations on the performance accountability of government institution in Agam Regency. This research was

conducted at 27 OPD of local government of Agam Regency. The results of the study indicate that budget goal clarity, local government official competence, reporting system, and obedience to the regulation have a positive and significant effect on Performance Accountability of Government Institution. While accounting control have a negative effect on performance accountability of government institutions.

Razi (2017) who conducted research on the influence of obedience to laws and regulations, utilization of information technology, accounting controls and competence of local government apparatus to accountability of performance of government institution (AKIP) at regional work unit (OPD) Indragiri Hulu. The results of his research indicate that compliance with statutory regulations, utilization of information technology, accounting controls and competence of local government apparatus have a significant influence on performance accountability of government agencies (AKIP).

Zirman, et.al (2010) conducted research on the influence of competence of local government apparatus, the application of financial accountability, work motivation, and obedience to the regulation on performance accountability of government institution of Indragiri Hulu Regency. This research was conducted at 47 work units of local government of Indragiri Hulu Regency. The results of the study indicate that competence of local government apparatus and financial accountability implementation have a negative effect on performance accountability of government institutions. While work motivation and

adherence to the regulations have a positive and significant influence on performance accountability of government institutions.

Aini et al. (2014) conducted research on the effect of variables that are included in the elements of the Internal Control System, such as Competence of government officials, financial accountability Applied, Information Technology Utilization, decision authority and obedience to the laws and regulations to Performance Accountability Government of Pelalawan regency. This research was conducted at 43 work units of local government of pelalawan regency. The results of the study indicate that competence of government officials and obedience to laws has a significant positive effect on performance accountability government (AKIP), while the variable application of information technology utilization, financial accountability, and decision authority has no effect on agency performance accountability government (AKIP).

Faizal (2018) also conducted research on the influence of goverment apparatus competencies, accounting controls, and obedience to legislation on performance accountability of government institution of Kulon progo regency. This research was conducted at 20 OPD of local government of Kulon progo regency. The results of the study indicate that goverment apparatus competencies have a negative effect on performance accountability of government institution. While, accounting controls, and obedience to legislation have a positive and significant influence on performance accountability of government institution.

C. Hypothesis Development

1. The effect of Government Apparatus Competencies towards the Performance Accountability of Local Government Institutions.

Sofyani, (2013) argue that the success of an organization depends on the competence of the apparatus within the organization. In stewardship theory, stewards will be motivated on organizational goals. To achieve these objectives, a good apparatus is required where the functions in the organization must be filled by competent personnel so that the implementation of general government, development and community tasks can be achieved well (Razi, 2017). The success of a task is influenced by the competencies possessed by the individual performing the task (Sofyani, 2013).

Sofyani (2013) said that the government apparatus who have educational background in accordance with the duties and positions will be better able to carry out the task and implementation of performance accountability compared with apparatus who do not have educational background in accordance with the duties and positions carried. This is because the tasks and performance accountability of government agencies have been theoretically studied by government apparatus who have an educational background in accordance with their duties, so that when applied practically it is easier to understand. Competence owned by the government apparatus can facilitate the implementation of the main duties and functions of local government institutions so as to realize adequate

accountability for the accountability performance of government institutions.

If a government apparatus is not competent then the performance will be hampered and will have an impact on the surrounding environment. According Setyawan (2017) government apparatus that has the capability and expertise in their field will improve the overall performance of the organization and produce the maximum Government Institution Performance Accountability Report (LAKIP). In addition, performance accountability information generated does not contain errors and in accordance with legislation, so as to create a transparent and accountable service.

Research conducted by Aini et al. (2014) found out that the competence of the government apparatus had a positive effect on the performance accountability of government agencies. The results are supported by research conducted by Razi (2017) which states that the competence of the government apparatus positively affects the performance accountability of government agencies. So also, with research conducted by Wahid et al. (2016) which states that the competence of the government apparatus positively affects the performance accountability of government agencies. Likewise, with research conducted by Wardhana et al. (2015) which states that competence government apparatus has a positive effect on performance accountability government agencies. Based on the description above, the hypothesis in this study are:

H₁ : government apparatus competencies has positive effect to the performance accountability of government institutions.

2. The effect of Accounting Control towards the Performance Accountability of Local Government Institutions.

The existence of decentralization has led to a strengthening of accountability demands on public sector institutions. In order for expected performance to increase, organizations need to use accounting controls. According to Faizal (2018) accounting controls are procedures related to the implementation and recording of financial transactions, securing assets, and ensuring the reliability of financial records.

Accounting control system can facilitate the organization in planning and monitoring activities. An effective accounting system can result in better performance. If accounting information fails to be used then resource management will become ineffective and organizational performance will decline (Faizal, 2018). Steward will protect and maximize resources owned through organizational performance so that service functions can be maximized. The use of accounting controls allows governments to make decisions and control operations well, estimate costs and choose the best alternative so as to improve the performance of government agencies. The use of accounting controls will be useful in measuring, evaluating performance, and providing motivation in order to achieve predetermined objectives.

According to research conducted by Razi (2017), accounting control has a positive effect on the performance accountability of government agencies. The research results Faizal (2018) shows that accounting controls have a positive effect on the performance accountability of government agencies. The results of this study are supported by research conducted by Cahyani and Utama (2015) which states that accounting controls have a positive and significant effect on the performance accountability of government agencies. Likewise, with research conducted by Setyawan (2017) which states that accounting controls have a positive and significant effect on the performance accountability of government agencies. Based on the description above, the hypothesis in this study are:

H₂ : Accounting control has positive effects to the performance accountability of government institutions.

3. The effect of Legislation Compliance towards the Performance Accountability of Local Government Institutions.

The law is created with the aim to regulate and discipline every life of the nation and state. The law can make the life of the nation and the state more secure and orderly. According to Pratolo et al. (2016) public sector accounting embraces a civil law system in which any rules relating to public sector accounting are contained in legislation. Government accounting standards are required as guidance in preparing financial statements. This is

because the government accounting standards contain principles that support the presentation of government financial information.

In stewardship theory, stewards will be motivated on the organization's goals and act on the satisfaction of interested parties. Legislation can be used as a reference in conducting activities to serve the community. Performance accountability implementation cannot be separated from the support of adequate legislation and compliance in an institution such as improvement of accountability report. The best laws that are made will be useless if not adhered to. Given the compliance with laws and regulations, it is expected that the resulting accountability report will be appropriate and appropriate.

Rofika and Ardiantoro (2014) states that compliance with laws and regulations has a positive and significant effect on the performance accountability of government agencies. Wahid et al. (2016) also states that compliance with laws and regulations has a positive and significant impact on the performance accountability of government agencies. The results are supported by research conducted by aini et al. (2014) stating that compliance with laws and regulations has a positive and significant impact on the performance accountability of government agencies. Razi (2017) showed similar results where compliance with laws and regulations had a positive effect on the performance accountability of government agencies. Based on the description above, the hypothesis in this study are:

H₃ : Legislation compliance has positive effects to the performance accountability of local government institutions.

4. The effect of utilization of information technology towards the Performance Accountability of Local Government Institutions.

Information technology systems provide a major role to improve efficiency, communication, collaboration, and competitiveness (Rofika and Ardiantoro, 2014). Information technology, aside from being computer technology (hardware and software) for information and information storage, also functions as a communication technology for information dissemination.

In general, computerization has had a broad impact in the field of work of accountants in organizations. The main impact is that accountants have been able to shift their activities from technical to activities related to the decision making process (Donnelly et al, 1994). This means that accountants can focus on more professional tasks.

Likewise in the government, it is expected that accountants at each OPD can maximize the use of information technology to the maximum, so that they can become more professional in order to increase the accountability of performance of government agencies effectively and efficiently. By utilizing the advances in information technology there will be an increase in services to the public.

Thus it can be concluded that the use of information technology has an important role in implementing performance accountability of government agencies. Effective use of technology can improve performance. So, the higher the employee's performance, the higher the agency's effectiveness, productivity and service quality.

According to research conducted by Razi (2017), the utilization of information technology has positive and significant effect to the accountability of performance of government agencies. This study shows the influence of the use of information technology has an effect on the accountability of performance of government agencies. Nurillah (2014) stating that the utilization of information technology has a positive and significant influence on the quality of local government financial reports. Based on the description above, the hypothesis in this study are:
H4: Utilization of information technology has positive effects to the performance accountability of government institutions.

D. Research Model

Here is a research model of the influence of independent variables on the dependent variable:

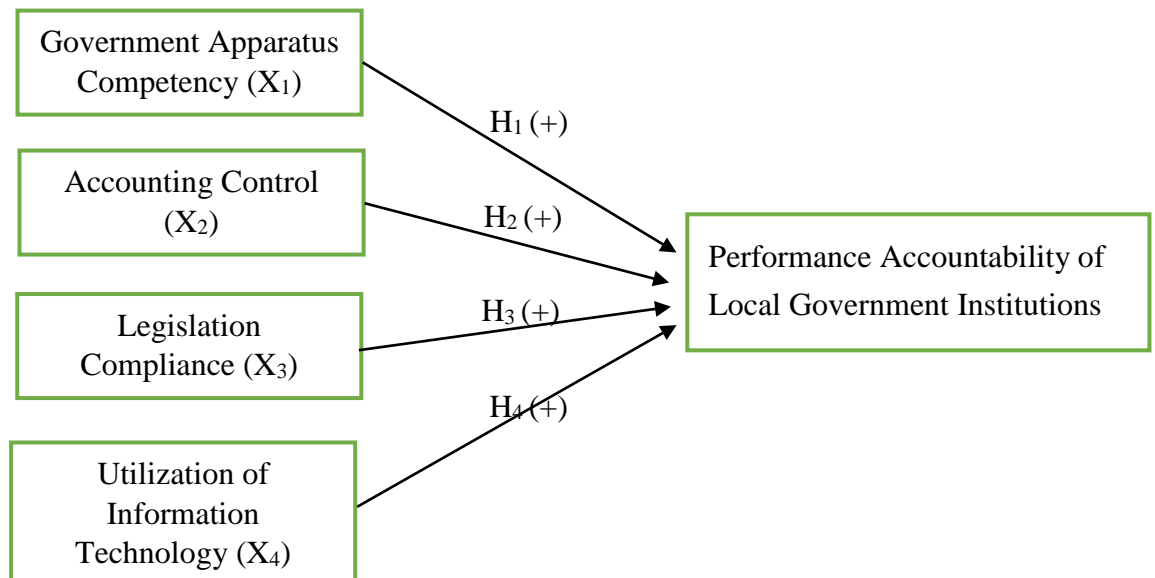


Figure 2.1