



The Effect of Internal Control System and Good Governance on Employee Performance: Moderated by Leadership Style

¹Nofal Supriaddin, ²Liwaul, ³Zaludin

¹STIE66 Kendari, Indonesia

^{2,3}Universitas Halu Oleo, Indonesia

Received: 23/05/2022

Accepted: 26/05/2022

Published: 05/06/2022

Representative E-Mail: zaludin@uho.ac.id

ABSTRACT

This study aims to analyze the effect of the internal control system and good governance on employee performance, as well as the role of leadership style as a moderating variable of the influence of the government's internal control system and good governance on employee performance. The research population is the employees of the Regional Secretariat of the Konawe Kepulauan Regency, totaling 55 people. The study's sample size used the census technique so that the research sample amounted to 55 respondents. The data collection technique was done by distributing questionnaires. The research model is intervening, by testing directly and indirectly through moderating variables. Thus, the data were analyzed using Warp PLS. The results of this study indicate that: the internal control system has a positive but not significant effect on employee performance, good governance has a positive and significant effect on employee performance, the internal control system moderated by leadership style has a negative and significant effect on employee performance, good governance is moderated by leadership style. Leadership has a positive and significant effect on employee performance. Thus, the local government of Konawe Kepulauan Regency needs to examine and evaluate the internal control framework and the efficiency of various work units so that all work units can carry out their duties in accordance with existing regulations. In addition, the management must carefully assess the level of expected risk and try to manage risk at certain points to implement performance-based budgeting and improve services to the community.

Keywords: Internal Control System, Good Governance, Leadership Style, Employee Performance

I. INTRODUCTION

The creation of public service satisfaction is one of the benchmarks for local government performance (Aswar, 2019). To improve the performance of local governments, good governance is needed so that local governments can run organizations more effectively, efficiently and fairly for every citizen. This paradigm requires government officials to be more responsive to the demands of their environment so that public services are more transparent and accountable (Indra Bastian, 2006). The application of good governance can also ward off the poor performance of local governments, because the performance of local governments in Indonesia is still in the poor category (Kumolo Tjahyo, 2015). Besides, there are still many local government officials who have not been able to absorb the budget issued by the regional government (Sri Mulyani, 2016). Another phenomenon regarding the performance of the public sector in Indonesia is by strengthening the demands for financial accountability by public institutions to provide information in the context of fulfilling public rights (Mardiasmo, 2006). Likewise, as happened in the Konawe Islands District Government that several work items were not carried out on time, causing the return of work fines. besides that, the road paving project that was being carried out experienced a lack of work volume, this reflected the poor performance of the local government, and this had an impact on the service provided by the local government to the community has not been maximized.

One of the factors that support good financial performance is the existence of an internal control system because this system is helpful in supporting the realization of effectiveness and efficiency in the accounting process that aims to achieve the reliability of financial reports (HARDININGSIH et al., 2020). Besides that, the implementation of the internal control system can achieve reliability and objectivity of information and inhibit deviations (Mahaputra & Putra, 2014), (Bachtiar, 2013). Internal control on the implementation of the duties and functions of government agencies is carried out by referring to PP. 60 of 2008. Internal control is carried out by professionals who have auditor certificates with a deep understanding of the culture and business processes of the

organization. Thus, the capability of employees in local governments is required to meet the professional code of ethics to achieve maximum performance in local governments.

The application of leadership styles in the public sector is expected to foster self-confidence, admiration, loyalty and respect for employees towards their superiors. Furthermore, employees are motivated to perform better than expected (Yukl, 2009). Previous research on the effect of the internal control system on employee performance found that the local government internal control system can improve employee performance (Olufunmilayo & Hannah, 2018), (ALAWAQLEH, 2021). On the other hand, Hikmah & Zuhriyah (2017), Adegboyegun et al. (2020) found that there was no significant effect of the internal control system on employee performance. Research on the effect of good governance on employee performance found that there is a strong influence between good governance on employee performance (Gunawan et al., 2017), (Dong et al., 2019), (Wiantara & Yadyana, 2020) because with the implementation of good governance can encourage employees to improve their services. Meanwhile, research by Jatmiko & Lestiawan (2016) found that good governance has no significant effect on employee performance. Thus, moderating variables such as leadership style are needed to moderate the influence of the internal control system and governance on employee performance.

Putra & Rasmini (2018) research finds that leadership style moderates the influence of the internal control system on the quality of reports by employees in Denpasar City. Research related to leadership style variables as moderating variables, among others, by Nor (2009) found that leadership style did not moderate participation in budgeting on managerial performance. Based on this, it is important for researchers to add a leadership style variable as a variable that moderates the effect of the control system, good governance on employee performance.

II. LITERATURE REVIEW

2.1 Agency Theory

Agency theory describes the contractual relationship between the agent as manager of the company and the principal as owner of the company (Jensen & Meckling, 1976). Agency relationship is a contract in which one or more principals pay agents to perform some services on their behalf by delegating some decision-making authority to others Agent (Jensen & Meckling, 1976). This theory is used to explain the relationship between the community as a principal and the government as an agent. The government (agent) as the holder of the people's trust is obliged to provide accountability, presentation, reporting and disclosure of all activities that are the responsibility government to the community (principals) In addition, the community (principals) as the trustee has the right to demand accountability.

A conflict of interest will arise and a delegation of tasks will be given to the agent where the agent does not pursue efforts to maximize the welfare of the principal. Agency theory views that its implementation has very different needs between principals and agents, resulting in conflicts of interest or agency problems. To suppress a problem, it is necessary to monitor what the principal does to the agent. Financial reports are a means of monitoring prevention efforts if there are agency costs (Shintia & Erawati, 2017).

According to Xu et al. (2005), in an agency relationship, there are two parties who make an agreement or contract, namely the party that gives the authority or power (principal) and the party who receives the authority (agent). The agency relationship in government can be shown in the relationship between the community (as the principal) and the government (as the agent). This relationship is the result of a contract between the community who uses the government to provide services that the community needs. Xu et al. (2005) state that in government, law is an implicit form of contract between the executive, legislative and public.

The problem explaining agency practice and finance for public sector organizations is the design based on agency theory. In financial reports, the government acting as an agent has an obligation to disclose information that is useful for every user of financial information and also the public who act as principals to evaluate accountability and make decisions, both political, social and economic. The agency relationship in a democratic government is described by the relationship between the government and each user of financial information.

According to Arifah (2012), there is a conflict of interest or clash of interest between the principal and the agent. Conflicts often cause financial losses for many parties, so that both internal and external mechanisms are needed to resolve them. The main problem in the relationship between the agent and the principal is the existence of information asymmetry. To overcome this problem, good accountability is needed. According to (Mardiasmo, 2006), public accountability is the responsibility of agents to provide accountability, present reports and disclose all activities that are their responsibility to principals who are entitled to ask for accountability.

2.2 Compliance Theory

Compliance theory states that every agency is obliged to comply with regulations because legislators have the right to dictate behavior (normative through legitimacy/normative commitment through legitimacy). From an economic perspective, compliance theory has many perspectives (Sutinen & Kuperan, 1999). The neoclassical perspective views the existing rules in the business world as an obstacle to obtaining maximum business profits. Compliance theory has been studied in the social sciences, especially in the fields of sociology and psychology, which focuses more on the need for the socialization process in influencing an individual's compliance behavior. Compliance theory is divided into two perspectives, namely instrumental and normative perspectives. The instrumental perspective is an individual perspective that is completely driven by self-interest and responses to changing incentives, while the normative perspective is a perspective that deals with morals and conflicts with self-interest.

Compliance theory emphasizes the influence of a socialization process to affect the integrity of one's compliance or the individual himself. Viewed from a normative perspective in compliance theory, this theory can be applied to accounting aspects. The compliance of an agency or reporting agency to carry out an accountability report in the form of financial statements is a sure thing to fulfill compliance with the presentation of financial statement information based on government accounting standards (Lunenburg, 2012).

2.3 Local Government Accountability

According to Presidential Regulation Number 29 of 2014 concerning the Performance Accountability System for Government Agencies, performance is the output or result of activities/programs that have been or will be achieved related to the use of the budget with measurable quantity and quality. Performance accountability is a form of government agency responsibility for the success or failure of implementing programs and activities to achieve measurable organizational missions, with established targets as outlined in periodic performance reports.

Improving governance and management systems is an important agenda in the government reforms currently being carried out by the government. A government management system that focuses on improving accountability and results-oriented performance is known as SKIP. SKIP is implemented through a 'self-assessment' by each government agency, meaning that government agencies independently plan, implement, measure and monitor their performance and report them to higher institutions. The application of the system with this mechanism requires an evaluation from an independent party to obtain objective input in order to improve the accountability and performance of government agencies ((Kemenpan RI), 2013). Based on Presidential Regulation Number 29 of 2014 concerning Performance Accountability Systems for Government Agencies, APIP conducts a review of performance reports to ensure the reliability of information submitted to local governments. The results are stated in a review statement signed by APIP. Then, APIP will evaluate the performance report under the coordination of the PANRB Ministry. APIP at the provincial level will evaluate performance reports from districts/cities, while performance reports from provinces, ministries and institutions will be evaluated by the Ministry of PAN and RB. According to Permen PANRB Number 20 of 2013, evaluations are carried out on all aspects of the accountability system, including planning, measuring, reporting, evaluating, and achieving performance carried out by government agencies with the following allocations.

2.4. Transformational Theory

J. Burns (1978) introduced the concept of transformation. This concept focuses on mutually stimulating and enhancing relationships that turn followers into leaders and can turn leaders into moral agents. Transformational leadership structure to include: 1) ideal behavior, 2) inspirational motivation, 3) intellectual stimulation, and 4) ideal attributes (Bass, 1985). Transformational leadership theory has been very well developed and provides clear insight into the influence of transformational leaders on organizations (Grant, 2012). Several researchers have investigated the consequences of transformational leadership on employees such as creativity, commitment, and performance (Judge & Piccolo, 2004); (Lowe et al., 1996). Transformational leadership controls the internal-external changes that individuals need to make to achieve organizational goals.

Bass's theory centers on high-level changes in both employee performance; Bass theorizes that there are certain types of leaders who are able to go beyond first-level change to higher levels. Changes and inspires people to refer to these leaders as transformational (Bass, 1985). Initially, the idea of transformational leadership was put forward by Burns (1978), then Bass (1985) expanded this concept and explained that transformational leadership motivates employees to work with dedication and achieve organizational goals.

Such a leadership style focuses on benefiting employees, the organization, and society beyond self-interest (Ergeneli et al., 2007). Leaders with this leadership style motivate employees to work longer hours with more production than expected (Bass & Avolio, 1993). Transformational leadership represents a leadership style that is exemplified by the charisma and shared vision of the leader and followers (G. Burns & Martin, 2010). The power of transformational leaders comes from their ability to stimulate and inspire others to produce extraordinary work.

Transformational leadership is highly correlated with trust in the leader (Dirks & Ferrin, 2002). Transformational behaviors such as inspirational motivation (eg, optimistic vision) and individualized consideration (eg, coaching) can increase subordinates' individual self-efficacy (McCull-Kennedy & Anderson, 2002) and team collective efficacy. Intellectual stimulation can increase the creativity of individual and team followers (Howell & Avolio, 1993).

According to Bass (2000), transformational leadership is considered effective in any situation or culture. This theory does not specify any conditions under which authentic transformational leadership is irrelevant or ineffective. To support this position, the positive relationship between transformational leadership and effectiveness has been replicated for many leaders at different levels of authority, in different types of organizations, and in several different countries (Bass, 1999).

Bass (1999) describes transformational leadership as the leader's impact on the target audience. The target group does more than expected as a result of a combination of love, respect, trust, and a sense of engagement with motivation. According to Bass (1999) a leader can change his followers in the following ways:

- a) By increasing awareness of the meaning and importance of mission,
- b) By instilling the idea of putting the interests of the organization above their own,
- c) By mobilizing higher demanding needs.

2.5 Hypothesis Development

2.5.1 The influence of the internal control system on employee performance

Internal control requires organizational strategies and organized steps to protect the organization, verify the quality and reliability of its accounting data to improve operational efficiency and promote compliance with management policies (Rahim et al., 2018). Internal control is a process to ensure organizational goals in operational effectiveness and efficiency, legal compliance, reliable financial reporting (Fernando & Surjandari, 2021). Internal control aims as a mechanism or procedure implemented by an organization to ensure the integrity of financial and accounting information, promote accountability and prevent fraud. And also ensure that the operation is carried out in an approved manner (Chang et al., 2019). The internal control system has an effect on employee performance. Using an analytical methodology, the researcher established a positive relationship between internal control and staff performance. Internal control adds value to employee job performance where a well-controlled organization improves job security and protects organizational resources which can increase organizational productivity and profitability (Almakhadmeh, 2014). Other studies also found that the internal control system has a positive and significant effect on employee performance (Olufunmilayo & Hannah, 2018), (ALAWAQLEH, 2021). Based on the findings of previous research, the research hypothesis:

H1: The internal control system has a positive and significant effect on employee performance.

2.5.2 The effect of good governance on employee performance

Good governance is important as the implementation of an orderly financial system and work procedures (Rhodes, 2000). The essence of government in public finance is "management" to achieve financial performance from a series of processes that involve individuals or groups together to realize financial order. The principle of good activity management needs to involve participation, transparency, responsibility, accountability, consensus, efficiency and effectiveness. And also involves many people, is carried out openly, is full of responsibility in accepting and completing the authority for the tasks given, accountability in the implementation of activities, involving mutual agreement, efficient and effective use of time and budget use (Angkasah et al., 2017). Research (Dong et al., 2019) (Wiantara & Yadyana, 2020) found that governance has a positive and significant effect on employee performance, this shows that employees who understand good governance correctly will affect professional behavior in working with high performance orientation to achieve goals. end as expected by the organization. Good governance in an organization is based on professional ethics at work. This paradigm requires every employee to be responsible to the community in order to carry out what are the main tasks, functions, authorities, and responsibilities given to him. The findings of previous studies also found that good governance has a positive and significant effect on employee performance (Gilang et al., 2018), (Ngabito, 2021). Based on the findings of previous research, the research hypothesis:

H2: Good governance has a positive and significant effect on employee performance.

2.5.3 The influence of the internal control system on employee performance is moderated by leadership style

Transformational theory (Bass & Avolio, 1993) describes transformational leadership as the leader's impact on subordinates. Employees do more than expected as a result of a combination of love, respect, trust, and engagement with motivation. According to (Bass, 1999), a leader can change followers in the following ways: a) by increasing awareness of the meaning and importance of the mission, b) by instilling the idea of putting the interests of the organization above their own, c) by mobilizing higher-demand needs. To encourage employees and improve organizational results, transformational leadership style is considered as the best leadership pattern (Bass & Riggio, 2006). To cope with the existing and future challenges in a complex and fast-changing workplace environment, it is considered the best leadership style as it is the best way to increase organizational capability and flexibility.

The head of the institution as stated in Article 47 paragraph 1 of Government Regulation Number 60 of 2008 is responsible for the implementation of an effective internal control system in their respective environments. Leadership is the ability to influence a group to achieve goals / objectives in the organization. Thus, the leadership element affects the achievement of organizational goals, especially the achievement of employee performance. (Putra & Rasmini, 2018) research finds that leadership style moderates the influence of the internal control system on the quality of reports by employees in Denpasar City. Based on the theoretical basis, the research hypothesis:

H3: Internal control system affects employee performance moderated by leadership style.

2.5.4 The effect of good governance on employee performance is moderated by leadership style

Compliance theory states that every agency is obliged to comply with regulations because legislators have the right to dictate behavior (normative through legitimacy/normative commitment through legitimacy). From an economic perspective, compliance theory has many perspectives (Sutinen & Kuperan, 1999). The application of leadership styles in the public sector is expected to foster employee confidence, admiration, loyalty, and respect for leaders. They are then motivated to perform better than expected (Yukl, 2009). On the other hand, good governance will affect the professional behavior of employees in working with a high performance orientation. On the other hand, good governance is the main prerequisite for realizing the aspirations of the people in achieving the goals and ideals of the nation and state. This paradigm demands that every employee be responsible to the public in order to carry out what are the main tasks, functions, authorities, and responsibilities given to him, thereby increasing employee performance. Based on the theoretical basis, the research hypothesis:

H4: Good governance has a positive and significant effect on employee performance moderated by leadership style.

III. RESEARCH METHODS

The population of this research is the employees of the Regional Secretariat of the Konawe Islands Regency, amounting to 55 people. The size of the sample determination using the census technique, thus the research sample amounted to 55 respondents. The data collection technique used a questionnaire with five available answers. The measurement of internal control system variables is the control environment, risk assessment, control activities, information and communication, monitoring. This measurement refers to the research of (Olufunmilayo & Hannah, 2018). The measurement of good governance variables referring to research is participation, transparency, accountability, coordination. This measurement refers to the research of Gunawan et al. (2017). Measurement of leadership style variables include: directive, supportive, participatory, achievement-oriented. This measurement refers to the research of Kurniawan et al. (2021), Dong et al. (2019). Measurement of employee performance variables are: quality, quantity, timeliness, effectiveness, commitment. This measurement refers to the Regulation of the Minister of PAN & RB number 8 of 2021 concerning the performance management system for civil servants.

IV. RESULTS AND DISCUSSION

4.1. Result

The results of the study present the outer loadings, path coefficients and empirical research models. The results of the outer loadings test on the variables of the internal control system, corporate governance, leadership style and employee performance have a coefficient > 0.50 and have a P-value < 0.05 , thus all indicators meet the convergent validity test or all indicators are able to reflect the variables. The composite and average extracted reliability values of each variable are greater than 0.6, this indicates that all variables meet the convergent validity test and have high validity variability or all variables indicate that the discriminant validity criteria are met.

Table.1: Outer loadings

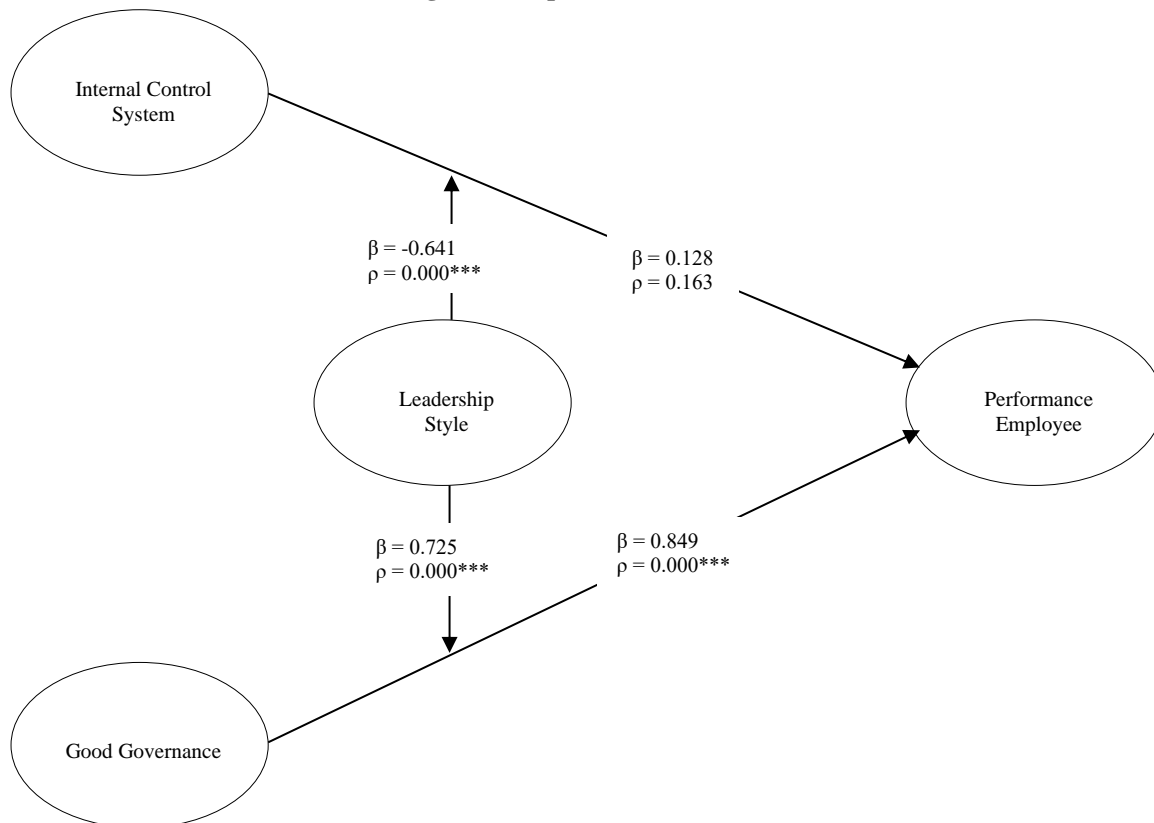
Indicators	Coefficient	Standard Error	P-value	Composite Reliability	AVE
Control environment	0.883	0.098	<0.001	0.949	0.787
Risk assessment	0.880	0.098	<0.001		
Control activities	0.880	0.098	<0.001		
Information and communication	0.915	0.096	<0.001		
Monitoring	0.877	0.098	<0.001		
Participation	0.927	0.096	<0.001	0.955	0.842
Transparency	0.918	0.096	<0.001		
Accountability	0.922	0.096	<0.001		
Coordination	0.904	0.097	<0.001		
Directive	0.860	0.098	<0.001	0.956	0.785
Supportive	0.895	0.097	<0.001		
Participatory	0.897	0.097	<0.001		
Achievement oriented	0.921	0.096	<0.001		
Quality	0.914	0.096	<0.001	0.955	0.808
Quantity	0.913	0.096	<0.001		
Punctuality	0.901	0.097	<0.001		
Effectiveness	0.871	0.098	<0.001		
Commitment	0.894	0.097	<0.001		

Table.2: Path Coefficient

Remarks	Path Coefficient	P-Value
Internal control system → Employee performance	0,128	0,163
Good Governance → Employee performance	0,849	0,000
Internal control system → Employee performance is moderated by leadership style	-0.641	0.000
Good Governance → Employee performance is moderated by leadership style	0.725	0.000

The test results on the effect of the government's internal control system on employee performance resulted in a path coefficient value of 0.128 with a P-value of 0.163, greater than 0.05, compared to a path coefficient of 0.822. These results indicate that the government's internal control system is not significant on employee performance. The test results on the effect of good governance on performance produce a path coefficient value of 0.849 with a P-value of 0.000 which is smaller than 0.05 compared to a path coefficient of 0.822. These results indicate that good governance has a significant effect on employee performance. the results of testing the influence of the internal control system on employee performance moderated by leadership style is -0.641, which is negative with p-value = 0.000 < 0.05 compared to performance with a significance level of 0.822 with p-value = 0.000. These results indicate that the leadership style variable significantly weakens the influence of the internal control system variable on employee performance.

Figure1: Empirical Model of Research



4.2. Discussion

The results show that the internal control system has no significant effect on employee performance, this shows that the internal control system is seen as an aspect that curbs employee expression and creativity in carrying out their duties and functions, even though the internal control system is an integral process in the actions and activities carried out continuously by the leadership and all employees to provide adequate assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of regional assets and compliance with laws and regulations. The results showed that the will of the employees of the Regional Secretariat of the Konawe Kepulauan Regency to carry out their duties in accordance with the laws and regulations was classified as weak. This is because employees view internal control as an aspect that limits employees' movement space so that their performance decreases, or the tighter the supervision carried out by internal auditors, the lower the employee's performance. The results also show that there is a weakness in the effectiveness and efficiency of the budget carried out by the Konawe Kepulauan Regency Government, because employees want to maximize their work if they receive adequate additional income, on the other hand that the additional income is not budgeted so that employees are reluctant to work optimally. Besides that, the attitude of the internal auditors is unfriendly or feels as if the employees made a mistake so that the employees are less responsive to the control activities carried out by the internal auditors.

The results of this study support the research of Hikmah & Zuhriyah (2017) that the internal control system has no significant effect on employee performance. The results of this study indicate that there is a tendency for employees to work not following the policies and procedures designed and implemented by management. And this supports the research of Abiodun (2020). Similarly, research by Ejoh & Ejom (2014) found that internal control had no significant effect on employee performance.

The results of the study show that good governance has a significant effect on employee performance, so the stronger the implementation of governance, the higher the employee's performance in providing services. Good governance in an organization is based on professional ethics at work. This is because of the implementation of governance such as: transparency, accountability, responsibility, independence and fairness, thus requiring government officials to work seriously in providing maximum results. The results of this study support the research of Dong et al. (2019), Wiantara & Yadnyana (2020) found that governance has a positive and significant effect on employee performance, this shows that employees who understand good governance correctly will affect professional behavior in working with a high performance orientation. to achieve the ultimate goal as expected by the organization. The application of good governance helps government officials in making effective decisions to improve people's welfare and improve services to the community (Raheni & Putri, 2019).

The results showed that the government's internal control system on performance moderated by leadership style had a negative and significant effect. The results showed that a strict control system and the role of results-oriented leadership style can reduce employee performance. This requires increased coordination between employees and internal auditors regarding the limits or rules for managing activities in accordance with standards, regulations so

that employees are not rigid in interpreting these regulations and can properly account for the implementation of activities when supervised by internal auditors. And the internal auditors have communicated and provided good information to employees, but commitment from all elements is needed to enforce regulations so that there are no deviations in understanding about the application of regulations between employees and the internal auditors. The results showed that the effect of good governance on performance moderated by leadership style was positive and significant. This shows that the application of a results-oriented leadership style can strengthen the implementation of work procedures and standards so that employee performance increases. The leadership element who always encourages the achievement of work results and the availability of work regulations becomes a reference for employees in carrying out their activities so that their performance increases.

V. CONCLUSIONS AND SUGGESTIONS

Based on the results of the study, it can be concluded that: the local government internal control system, especially in Konawe Kepulauan Regency, has not been able to improve employee performance because the form of communication and information applied has not been able to be understood optimally by employees so that it does not have an impact on improving employee performance. Good governance as a standard and work procedure becomes a patron for employees in carrying out activities so that their performance increases. A strict internal control system and driven by the application of a results-oriented leadership style that is not based on a high commitment has caused the service to the community to decline. On the other hand, the existence of clear standards and work rules in each work unit that is driven by a results-oriented leadership style can improve employee performance.

Based on the research results, the local government of Konawe Kepulauan Regency needs to examine and evaluate the internal control framework and the efficiency of various work units, so that all work units can carry out their duties in accordance with existing regulations. In addition, management must carefully assess the level of expected risk and try to manage risk at certain points in order to implement performance-based budgeting and improve services to the community.

REFERENCES

- Abiodun, E. A. (2020). Internal Control Procedures and Firm's Performance. *International Journal of Scientific & Technology Research*, 9(2), 6407–6415.
- Adegboyegun, A. E., Ben-Caleb, E., Ademola, A. O., Oladutire, E. O., & Sodeinde, G. M. (2020). Internal control systems and operating performance: Evidence from small and medium enterprises (SMEs) in Ondo state. *Asian Economic and Financial Review*, 10(4), 469–479.
- ALAWAQLEH, Q. A. (2021). The effect of internal control on employee performance of small and medium-sized enterprises in Jordan: The role of accounting information system. *The Journal of Asian Finance, Economics and Business*, 8(3), 855–863.
- Almakhadmeh, A. (2014). The Effectiveness of Internal Control Systems in Enhancing the Level of Job Performance as Perceived by the Staff of Jordan Social Security Corporation. *European Journal of Business and Management*, 227–236.
- Angkasah, L., Adolf, H., Wibowo, G. D. H., & Asikin, Z. (2017). Bureaucratic reform in the perspective of State Administration Law. *Mediterranean Journal of Social Sciences*, 8(5 S1), 35.
- Arifah, D. (2012). *Agency Theory Practices for Public and Non-Public Entities*. Achievement.
- Aswar, K. (2019). Financial performance of local governments in Indonesia. *European Journal of Business and Management Research*, 4(6).
- Bachtiar, I. H. (2013). *Utilization of Information Technology and Internal Control Systems on Accountability of Procurement of Goods and Government Services*.
- Bass, B. M. (1985). Leadership: Good, better, best. *Organizational Dynamics*, 13(3), 26–40.
- Bass, B. M. (1999). Current developments in transformational leadership: Research and applications. *The Psychologist-Manager Journal*, 3(1), 5.
- Bass, B. M. (2000). The future of leadership in learning organizations. *Journal of Leadership Studies*, 7(3), 18–40.
- Bass, B. M., & Avolio, B. J. (1993). Transformational leadership and organizational culture. *Public Administration Quarterly*, 112–121.
- Bass, B. M., & Riggio, R. E. (2006). *Transformational leadership*. Psychology press.
- Burns, G., & Martin, B. N. (2010). Examination of the Effectiveness of Male and Female Educational Leaders Who Made Use of the Invitational Leadership Style of Leadership. *Journal of Invitational Theory and Practice*, 16, 30–56.
- Burns, J. (1978). Leadership. *Leadership Quarterly*, 2(1).
- Chang, Y.-T., Chen, H., Cheng, R. K., & Chi, W. (2019). The impact of internal audit attributes on the effectiveness of internal control over operations and compliance. *Journal of Contemporary Accounting & Economics*, 15(1), 1–19.
- Dirks, K. T., & Ferrin, D. L. (2002). Trust in leadership: meta-analytic findings and implications for research and practice. *Journal of Applied Psychology*, 87(4), 611.
- Dong, M., Mahfudnurnajamuddin, M., Semmaila, B., & Latief, B. (2019). Contributions Of Human Resources Development, Leadership Style, Organizational Commitment, And Work Motivation On Good Governance

- And Police Officer Performance (Study Of Police Officer In South Sulawesi Regional Police). *European Journal of Business and Management Research*, 4(6).
- Ejoh, N., & Ejom, P. (2014). The impact of internal control activities on financial performance of tertiary institutions in Nigeria. *Journal of Economics and Sustainable Development*, 5(16), 133–143.
- Ergeneli, A., Gohar, R., & Temirbekova, Z. (2007). Transformational leadership: Its relationship to culture value dimensions. *International Journal of Intercultural Relations*, 31(6), 703–724.
- Fernando, L., & Surjandari, D. A. (2021). The impact of internal control, cultural control, incentives, and work discipline on employee performance (Case study in PT Lestari Jaya Raya). *Annals of Management and Organization Research*, 2(3), 209–223.
- Gilang, A., Fakhri, M., Pradana, M., Saragih, R., & Khairunnisa, R. (2018). Good corporate governance towards employee performance at Indonesian energy company. *International Journal of Business and Economic Affairs*, 3(2).
- Grant, A. M. (2012). Leading with meaning: Beneficiary contact, prosocial impact, and the performance effects of transformational leadership. *Academy of Management Journal*, 55(2), 458–476.
- Gunawan, H., Haming, M., Zakaria, J., Djamareng, A., & Jamali, H. (2017). *Effect of organizational commitment, competence and good governance on employees performance and quality asset management*. Center for Open Science.
- HARDININGSIH, P., Udin, U., MASDJOJO, G. N., & SRIMINDARTI, C. (2020). Does Competency, Commitment, and Internal Control Influence Accountability? *The Journal of Asian Finance, Economics and Business*, 7(4), 223–233.
- Hikmah, S. N., & Zuhriyah, E. (2017). Efektivitas Sistem Pengendalian Internal dan Kualitas Sumber Daya Manusia terhadap Keberhasilan Usaha Koperasi di Kabupaten Magelang. *URECOL*, 541–546.
- Howell, J. M., & Avolio, B. J. (1993). Transformational leadership, transactional leadership, locus of control, and support for innovation: Key predictors of consolidated-business-unit performance. *Journal of Applied Psychology*, 78(6), 891.
- Indra Bastian. (2006). *Sistem Perencanaan dan Penganggaran Pemerintah Daerah di Indonesia*. Jakarta. Salemba Empat.
- Jatmiko, B., & Lestiawan, H. Y. (2016). Good governance government and the effect on local government performance (survey on Gunung Kidul district government of Indonesia). *Repository Universitas Muhammadiyah Yogyakarta*, 14(14), 981–997.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/https://doi.org/10.1016/0304-405X(76)90026-X)
- Judge, T. A., & Piccolo, R. F. (2004). Transformational and transactional leadership: a meta-analytic test of their relative validity. *Journal of Applied Psychology*, 89(5), 755.
- Kumolo Tjahyo. (2015). *Local Government Performance*. Available from: <Http://Www.Kemendagri.Go.Id/Media/Pdf/p/r/Prajaaa>.
- Kurniawan, J., Sumarsono, T. G., & Triatmanto, B. (2021). *The Influence of Internal Control Systems, Leadership Style on Field Employee Performance through Organizational Commitment*.
- (Kemenpan RI). (2013). *Peraturan Menteri Pendayagunaan Aparatur Negara dan Reformasi Birokrasi (Permenpan RB) Nomor 20 Tahun 2013 Tentang Petunjuk Pelaksanaan Evaluasi Akuntabilitas Kinerja Instansi Pemerintah*.
- Lowe, K. B., Kroeck, K. G., & Sivasubramaniam, N. (1996). Effectiveness correlates of transformational and transactional leadership: A meta-analytic review of the MLQ literature. *The Leadership Quarterly*, 7(3), 385–425.
- Lunenburg, F. C. (2012). Compliance theory and organizational effectiveness. *International Journal of Scholarly Academic Intellectual Diversity*, 14(1), 1–4.
- Mahaputra, I. P. U. R., & Putra, I. W. (2014). Analisis faktor-faktor yang mempengaruhi kualitas informasi laporan keuangan pemerintah daerah. *E-Jurnal Akuntansi*, 8(2), 230–244.
- Mardiasmo, M. (2006). Realization of transparency and public accountability through public sector accounting: A means of good governance. *Journal of Government Accounting*, 2(1), 1–17.
- McCull-Kennedy, J. R., & Anderson, R. D. (2002). Impact of leadership style and emotions on subordinate performance. *The Leadership Quarterly*, 13(5), 545–559.
- Ngabito, F. M. (2021). The Influence Of Good Governance Andtransformational Leadership Styles On The Performance Of Local Governments. *Turkish Journal of Computer and Mathematics Education (TURCOMAT)*, 12(3), 4365–4375.
- Nor, W. (2009). Desentralisasi dan Gaya Kepemimpinan Sebagai Variabel Moderating Dalam Hubungan Antara Partisipasi Penyusunan Anggaran dan Kinerja Manajerial. *Media Riset Bisnis & Manajemen*, 9(3), 217–240.
- Olufunmilayo, A. A., & Hannah, O. O. (2018). Effect of Internal Control System on Employee Performance of Small-Scale Manufacturing Enterprises in Ondo State, Nigeria. *Human Resource Research*, 2(1), 48–60.
- Putra, I. M. E. L., & Rasmini, N. K. (2018). Style of leadership and organizational culture as moderator of influence of competence and internal control system towards report quality. *International Research Journal of Management, IT and Social Sciences*, 5(3), 22–34.

- Raheni, N. P. R., & Putri, I. A. D. (2019). Pengaruh Good Governance dan Budaya Organisasi pada Kinerja Aparatur Penyelenggara Pemerintahan Desa di Kota Denpasar. *E-Jurnal Akuntansi*, 28(2), 1295–1322.
- Rahim, N. F. A., Ahmed, E. R., & Faeq, M. K. (2018). Internal Control System and Perceived Operational Risk Management in Malaysian Conventional Banking Industry. *Global Business & Management Research*, 10(1).
- Rhodes, R. A. W. (2000). Governance and public administration. *Debating Governance*, 54, 90.
- Shintia, C. I. P., & Erawati, N. M. A. (2017). Pengaruh Kualitas SDM, Pemanfaatan Sistem Informasi, Pengendalian Intern dan Komitmen Organisasi pada Kualitas Laporan Keuangan. *E-Jurnal Akuntansi*, 21(2), 1186–1205.
- Sri Mulyani. (2016). *Report Local Government Performance*. Available from: [Http://Www.Antaraneews.Com/Berita/578122](http://Www.Antaraneews.Com/Berita/578122).
- Sutinen, J. G., & Kuperan, K. (1999). A socio-economic theory of regulatory compliance. *International Journal of Social Economics*.
- Wiantara, I. W. W., & Yadnyana, I. K. (2020). The Influence of Application of Good Government Governance Principles and Tri Hita Karana Culture on Regional Government Performance. *American Journal of Humanities and Social Science Research (AJHHSR)*, 4(8), 74–82.
- Xu, L. C., Zhu, T., & Lin, Y. (2005). Politician control, agency problems and ownership reform: evidence from China. *Economics of Transition*, 13(1), 1–24.
- Yukl, G. (2009). Leading organizational learning: Reflections on theory and research. *The Leadership Quarterly*, 20(1), 49–53.