

Human Resources Competence to Internal Control in the Highest Country in Sulawesi

Riny Jefri
Program English Business,
Faculty of Language and Literature,
Universitas Negeri Makassar,
Indonesia

Harryanto
Faculty of Economics and
Business.
Universitas Hasanuddin,
Indonesia

Gagaring Pagalung
Faculty of Economics and Business.
Universitas Hasanuddin,
Indonesia

Grace T. Pontoh
Faculty of Economics and Business.
Universitas Hasanuddin,
Indonesia

Abstract:- Competence of human resources in universities is one of the factors that affects the quality of internal control system. The improvement of competence of human resources available in the implementation of universities in Sulawesi. The lack of competence of human resources of the existing apparatus in universities is also one of the problems that in the implementation of internal controls well so as to realize good universities governance. Internal controls will not be optimal without the competence, integrity and ethical value of human resources in the implementation. A good Human resources when the human resources have a supportive competence for the responsibilities held in the organization so as to implement them effectively.

Keywords:- Competence, Internal Control, Stewardship, Human Resources.component; formatting; style; styling; insert (key words).

I. INTRODUCTION

The audit Board of the Republic of Indonesia (BPK) in 2016 gives "Unqualified Opinion" (WTP) for the Ministry of Research and Technology of Dikti. WTP Opinion obtained in 2016 cannot be separated from the findings found by the BPK in the process of auditing the financial statements of the ministry of research and technology in 2016 which amounted to 44 findings and SPI contributed 16 findings worth Rp4.2 billion. This finding illustrates the weak internal control within the scope of Christianity in which the state universities take the role of the sample selected by BPK. Internal Control is very important in any organization whether it is a profit or nonprofit organization. Similarly, in the management of universities one element is the internal control unit commonly called the SPI, where the implementation of SPI activities in universities of this country has been supported by the regulation regulations of the government as a foundation in the implementation of its activities.

Government Regulation Number 60 Year 2008 states "Internal Control is an integral process of actions and activities carried out continuously by the leadership and all employees to provide reasonable assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and

compliance with laws and regulations." The success of governance of state universities is influenced by the improvement of internal control and risk management in these universities [1].

The management of state universities that happened during this time is not in accordance with the expectations (theory) that have been applied to be able to support the creation of good governance in state universities. However, the fact that occurred based on the findings of BPK above is still a lot of deviations and non-compliance and lack of control in the management of the college itself. The phenomenon that occurs is still not in accordance with the desired expectations. This means there is a gap or a difference between expectations and reality.

The results of BPK examination above still found weakness of internal control itself. Whereas bureaucracy reform has been implemented through several improvements, one of which is the improvement of competence of human resources available in the implementation of bureaucratic reform itself. The lack of competence of human resources of the existing apparatus is also one of the problems that in the implementation of internal controls well so as to realize good governance. Human resources can carry out their duties responsibly when the human resources have a supportive competence for the responsibilities held in the organization so as to implement them effectively. Previous research which has proved the role of competence influential good governance is Nuryanto and Afiah (2013) [2], in contrast to research conducted by Rusnindita et al. (2017) [3] where Human Resource Competence does not affect the internal control system of government. Based on the phenomenon that occurs, this study focused on the role of competence of human resources to internal control at universities.

II. LITERATURE REVIEW

A. Stewardship Theory

Stewardship theory is an alternative to agency theory and offers conflicting predictions about effective service arrangement. The agency theory is the theory of principal and agent relationships, derived from organizational theory, economic theory, sociology, and decision theory [3]. According to agency theory, the separation between owner and

manager can lead to agency problems. The problem is unequal interests between shareholders or owners with managers or agents [4]. The stewardship model is one that is based on managers as 'servants' rather than rational economists who are entirely interested in agency theory [5].

Stewardship is defined by Hernandez (2008) [6] as attitudes and behaviors that place the group's long-term interests above personal goals that serve one's personal interests. This exists so far as the organizational actors take personal responsibility for the impact of the organization's actions on the welfare of stakeholders. Davis et al. (1997) [7] found that a maid maintains and maximizes shareholder wealth through company performance.

The question of balance in the theory of stewardship is an important part of taking personal responsibility; in working towards communal welfare, organizers aim to balance their obligations to stakeholders inside and outside the organization while upholding a broader commitment to public and universal moral norms. Hernandez (2008) [6] suggests that leaders encourage Stewardship in their followers through a variety of relational, motivational, and leadership behaviors that support contextually [6].

Stewardship theory recognizes various non-financial motives for managerial behavior. This includes the need for achievement and recognition, intrinsic satisfaction or successful performance, respect for authority and work ethics. Managers are seen as interested in achieving high performance and able to use high performance and high discretion level to act in the interest of shareholders. They are basically good corporate asset servants, loyal to the company. The stewardship theory states that a manager, when faced with an act that is viewed as unprofitable personally, can be obeyed by a sense of responsibility and identification with the organization [5]. The framework of thought in this study is supported by the general theory of stewardship proposed by Donalson and Davis 1991 [8] and Podrug 2011 [9]. Management (agent) as stewards will act in the interests of principal, in this case can be interpreted college managers with stakeholders from universities it [10].

B. Internal Control

COSO in 1992 defines internal control as a process, and it is because the internal control system is not an end in itself but a means to an end. Internal control is defined as a process, influenced by boards of entity directors, management and other personnel, designed to provide reasonable assurance about achievement of goals in the following categories: effectiveness and efficiency of operations, reliability of financial reporting, legal and regulatory compliance applicable.

Internal controls by internal COSO Control-Integrated Framework, 1992 have the following objectives:

1. Operational Purpose - This relates to the effectiveness and efficiency of the operations of the entity, including operational and financial performance targets, and safeguarding assets from loss.

2. Report Purpose - This relates to internal and external financial and nonfinancial reporting and may include reliability, timeliness, transparency, or other requirements set by regulators, recognized standard sets, or entity policies.

3. Objectives of Compliance - This relates to compliance with the laws and regulations that are the subject of the entity.

Internal Controls in Internal Controls - The intergraded Framework published by COSO is a process, affected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives relating to operations, reporting, and compliance. Internal Control by COSO consists of five basic components namely. 1) Control Environment, 2) Risk Assessment, 3) Information and Communication, 4) Control Activities, and 5) Monitoring. Internal control of the company is formed from the policies and procedures that exist within the company itself. The purpose of the existence of an effective internal control system is that management can obtain financial statements of reliability, operations that can be implemented efficiently and effectively, and adherence to laws and regulations.

An important principle of internal control is to assign responsibilities to certain employees. Control is most effective when only one person is responsible for a given task. Companies typically design their internal control systems to provide reasonable assurance about securing assets and the reliability of appropriate accounting records. The concept of reasonable assurance is based on the premise that the cost of establishing control procedures should not exceed the expected benefits.

One previous study aims to evaluate the implementation of internal control system conducted by PTN X in accordance with the provisions of Government Internal Control System as regulated in Government Regulation no. 60 Year 2008. The research was done by observation data archive method, semi structured interview, and participation. The result of the research shows that in general the internal control system of PTN X has been run well and in accordance with SPIP. However, there should be improvements in the aspects of procurement services, documentation of risk assessment, and application development [11].

C. Competence of Human Resources

Competency has not been defined in a consistent manner, but has been widely presented in the Human Resource Management literature. According to Perka BKN no. 7 years of 2013 competence is the characteristics and ability of work that includes aspects of knowledge, skills, and attitudes for task and/or function of position. Hoffmann (1999) [12] provides an overview of the various competence meanings of the three cited definitions that have been presented previously: 1) observable performance, 2) the standard or quality of one's performance results, and 3) the basic attributes of a person. The approach that defines competence as individual knowledge, skills, and/or capabilities is not new. From 1988 to 1998, Han et al develop and test empirically the human resource competency dimension. Their resulting data supports

at least three domain competencies: business knowledge, field expertise, and change management [13].

PERKA BKN no.7 of 2013 competence includes three things, namely:

1. Knowledge, the numbers and facts that exist behind the technical aspects.
2. Skills, is the ability to complete a task continuously at a level of criteria acceptable to everyone.
3. Attitude, the actions/attitudes that are done to the user or others who show their existence in the environment.

Silviana and Zahara (2015) [14] conducted a study that aims to determine the competence and internal control system of local government financial statements in Bandung. Data collection has been done in 17 government departments and Inspectorate of Bandung.

The results show that partially or simultaneously the competence of local government agencies and internal control systems have a positive impact on local government financial reports. The Government apparatus is expected to increase the knowledge and risk assessment to produce higher quality government financial statements [14].

III. RESEARCH METHODOLOGY

This research is a quantitative research. The type of research used is explanatory research. The research data was collected by using survey design through questionnaires to respondents who can represent the existing population. Unit of analysis in this research is individual, that is stakeholder from college. The aim of the research is to test the hypothesis that explains and analyzes the direct influence of human resource competence (X) on internal control (Y) at state universities in Sulawesi with the characteristics of accredited state universities A and B in Sulawesi Island area, where there are 8 State Universities with Accreditation A and B are scattered in several cities on the island of Sulawesi.

Frame Populaces and Sample

NO.	Universities	Accredited	N
1	UNG	B	10.382
2	PNUP	B	4.077
3	UNHAS	A	24.747
4	UNM	A	26.233
5	UNTAD	B	33.994
6	UHO	B	17.140
7	UNIMA	B	17.966
8	UNSRAT	A	27.572

Source: Processed data

This research uses data collection method in the following way:

- 1) Through the link of the online questionnaire,
- 2) Directly go to the respondent.

The implementation of questionnaires collection is done by providing questionnaires to respondents and collection of

questionnaires that have been filled by respondents directly returned directly or online. Inferential statistical techniques used to test the hypothesis of this study is Structural Equation Modeling (SEM).

IV. RESEARCH RESULT AND DISCUSSION

Competence is an essential characteristic importance to a person who embodies predicted success [15]. Competence of human resources is one of the factors that affects the quality of internal control system. Internal controls that have been well designed and structured will not be optimal without the competence, integrity and ethical value of human resources in the implementation [3]. Human resource competence with internal control has been done by Warongan et al. (2014) [16].

Achievement of organizational goals, the role of human resources in it is very large, this is because every rare achievement of the goal is done by human resources itself. The right capability and expertise to be able to support the achievement of organizational goals is needed so that the application of internal controls in public universities can be created.

There are also results from the analysis of Structural Equation Modeling (SEM) as follows:

Computation of degrees of freedom (Default model)
 Number of distinct sample moments: 210
 Number of distinct parameters to be estimated: 95
 Degrees of freedom (210 - 95): 115
 Result (Default model)
 Minimum was achieved
 Chi-square = 121,285
 Degrees of freedom = 115
 Probability level = ,326

The number of samples obtained in this study amounted to 319 for eight state universities in Sulawesi. Samples in use include lecturers, staff and students. The result of model conformity test yields RMSEA value 0,013 which means smaller than 0.80. It means the model has fit. So it can be continued for testing hypothesis estimation that has been made at the beginning of research.

The test results relation between resource competency variables and internal control are as follows:

1. Competence of human resources that affects internal control is significantly visible from the value of p is smaller than alpha (0.05)
2. The tri indicators used to reflect the competency variables of human resources have a significant value smaller than the alpha used in the study. This means that all indicators used reflect the variable competence of human resources as well.
3. five indicators used to reflect internal control variables also result in significantly smaller values of alpha. This means that all indicators used in this study can reflect internal control variables well.

Based on the results (standardized regression weights) of tests conducted then the competence of human resources have a significant and positive effect of 0.852 to internal control. In other words every one increase in competence will provide an increase in internal control of 0.85. Increasing the competence of human resources in universities also provides an increase in the internal control of universities. This is in line with previous research conducted by Warongan (2014) [16] and Silviana, and Zahara, G. (2015) [14] but in contrast to research conducted by Rusnindita et al., 2017 [3] that found no relation of competence with internal control system. The first to tri indicators used to reflect the human resource competency variables show results above 0.5. Also indicators reflecting internal control variables consisting of five indicators giving an average effect of above 0.5 like figure 1.

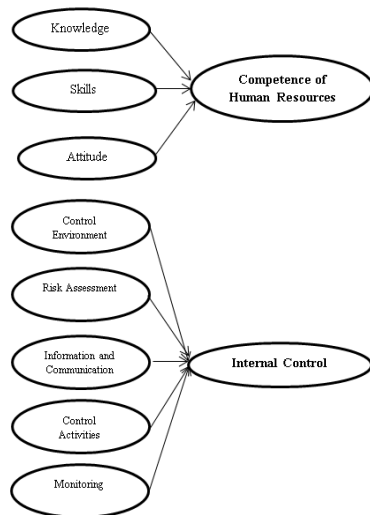


Fig 1:- Reflect Indicators to Variable Research

Increased competence for civil apparatus Major countries within the country's public universities on the island of Sulawesi are expected to also play an increasing role in the quality and outcomes of internal control within the country's own universities.

V. CONCLUSION

The purpose of this study is to examine whether the competence of human resources affects the internal controls in state universities. From the results of the study it can be concluded that the variable competence of human resources significantly and positively affects the internal control in public universities in Sulawesi.

REFERENCES

- [1] F. N. Yudianti and I. H. Suryandari, "Internal Control and Risk Management in Ensuring Good University Governance," *J. Education Vocat. Res.*, vol. 6, no. 2, pp. 6–12, 2015.
- [2] M. Nuryanto and N. N. Afiah, "The Impact of Apparatus Competence , Information Technology Utilization and Internal Control on Financial Statement Quality (Study on Local Government of Jakarta Province - Indonesia)," *World Rev. Bus. Res.*, vol. 3, no. 4, pp. 157–171, 2013.
- [3] K. Rusnindita, - Rosidi, and Z. Baridwan, "Determinan Kualitas Sistem Pengendalian Internal Pemerintah," *J. Res. Appl. Account. Manag.*, vol. 2, no. 2, pp. 141–157, 2017.
- [4] R. Jao and G. Pagalung, "Corporate Governance, Ukuran Perusahaan, Dan Leverage Terhadap Manajemen Laba Perusahaan Manufaktur Indonesia," *J. Akunt. Audit.*, vol. 8, no. 1, pp. 1–94, 2011.
- [5] M. M. Muth and L. Donaldson, "Stewardship Theory and Board Structure: a contingency approach," *Corp. Gov. An Int. Rev.*, vol. 6, no. 1, pp. 5–28, 1998.
- [6] M. Hernandez, "Promoting stewardship behavior in organizations: A leadership model," *J. Bus. Ethics*, vol. 80, no. 1, pp. 121–128, 2008.
- [7] J. H. Davis, F. davi. Schoorman, and lex donaldson, "Towards a stewardship theory of management," *Acad. Manag. Rev.*, vol. 22, no. 1, pp. 20–47, 1997.
- [8] L. Donaldson and J. H. Davis, "Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns," *Aust. J. Manag.*, vol. 16, no. June 1991, pp. 49–66, 1991.
- [9] N. Podrug, "The strategic role of managerial stewardship behaviour for achieving corporate citizenship," *Ekon. Pregl.*, vol. 62, no. 7–8, pp. 404–420, 2011.
- [10] D. Sari, "The Effect of Government Internal Control System, Implementasi of Government Accounting Standard, Completion of Audits Findings and The Quality of Local Government Financial Statement on the Good Governance Application," UNPAD, 2012.
- [11] F. Zamzami and I. A. Faiz, "Evaluasi Implementasi Sistem Pengendalian Internal: Studi Kasus pada Sebuah Perguruan Tinggi Negeri," *J. Akunt. Multiparadigma*, vol. 6, no. 1, pp. 20–27, 2015.
- [12] T. Hoffmann, "The Meanings of Competency," *J. Eur. Ind. Train.*, vol. 23, no. 6, pp. 275–286, 1999.
- [13] J. Han, P. Chou, M. Chao, and P. M. Wright, "The HR competencies-HR effectiveness link: A studi in taiwanese high-tech companies," *Hum. Resour. Manage.*, vol. 45, no. 3, pp. 391–406, 2006.
- [14] Silviana and G. Zahara, "The influence of Competence Local Government Agencies and The Implementation Government of Internal Control System toward the Quality of Local Government Financial Statement," *Res. J. Financ. AccountingOnline*, vol. 6, no. 11, pp. 138–148, 2015.
- [15] Y. Simon, Mahfudnurnajamuddin, M. Mas'ud, and M. Su'un, "The Role of Apparatus Competence , Internal Control System on Good Governance and the Quality of Financial Statement Information," *Res. J. Arts, Sci. Commer.*, vol. VII, no. 4, pp. 123–133, 2016.
- [16] J. D. L. Warongan, G. Pagalung, P. Uppun, and A. H. Habbe, "The Effects of Effectiveness Mediation of Internal Control System on Competency of Human Resources and Audit Opinion in Previous Year toward Quality of Financial Statement," *J. Res. Bus. Manag.*, vol. 2, no. 11, pp. 9–16, 2014.