

# The Influence of Internal Control Implementation and Public Financial Accountability on Value for Money Performance and Good Government Governance in The Regional Government of Kutai Timur Regency

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**ABSTRACT:** This study aims to analyze the effect of Internal Control Implementation and Public Financial Accountability on Value for Money Performance and its impact on Good Government Governance in the Regional Government of Kutai Timur Regency. This research employs a quantitative method using the Structural Equation Modeling - Partial Least Squares (SEM-PLS) approach. Data were collected through questionnaires distributed to treasurers and financial department staff across local government agencies in Kutai Timur Regency. The findings reveal that Public Financial Accountability significantly influences Value for Money Performance, indicating that greater financial transparency and accountability play a crucial role in enhancing budget efficiency and effectiveness. However, Internal Control Implementation does not significantly affect Value for Money Performance, suggesting that the presence of internal control systems alone is insufficient to ensure budget efficiency without strong regulations and an organizational culture that supports financial governance. Furthermore, both Internal Control Implementation and Public Financial Accountability do not have a direct impact on Good Government Governance, either directly or indirectly through Value for Money Performance as a mediating variable. This indicates that good governance is not solely determined by internal control and financial accountability but is also influenced by other factors such as policy transparency, strict regulations, and public participation in budget oversight.

**KEY WORD:** Internal Control Implementation, Public Financial Accountability, Value for Money Performance, Good Government Governance

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## I. INTRODUCTION

Good Government Governance is closely related to accounting science because the principle of accountability is one of the main principles in Good Government Governance. Accountability refers to the government's obligation to be accountable for its actions and decisions, as well as to provide transparent and accurate reports to the public regarding the use of public funds. Good Government Governance, accounting science has an important role in providing accurate and reliable financial information, thereby enabling the government to carry out financial management in a transparent and accountable manner. In addition, it also helps in the supervision and evaluation of the government's performance in managing public funds. Good Government Governance has a very important role for the government in creating a government environment that is able to provide quality and effective public services. Good Government Governance, the government is expected to reduce bureaucracy and corruption, so as to be able to increase public trust in the government. The government will more easily respond to the needs and aspirations of the community, as well as build community participation and involvement in decision-making. The implementation of Good Government Governance can also help the government to achieve sustainable development goals, thereby creating more stable and safe conditions for the community. Good Government Governance is a concept that emphasizes the importance of government that is effective, transparent, accountable, participatory, and responsive to the needs of the community. This concept aims to create a government environment that is able to provide quality public services, overcome corruption, reduce bureaucracy, and increase community participation and involvement in decision-making (Mititelu, 2018:50).

Good Government Governance can be achieved through several principles, there are several principles that must be met, including openness (Transparency), the Government must open information openly and easily accessible to the public. Accountability, the Government must be responsible for its actions and decisions, and

can be supervised by the public. Responsiveness, the Government must be able to respond quickly and appropriately to the needs and complaints of the community. Good leadership, the Government must have honest, fair, and committed leadership to achieve the desired goals. Participation, Communities must be given the opportunity to participate in decision-making and development processes (Collier & Clark, 2019:71). Achieving the goals of Good Government Governance, cooperation between the government and the public is needed in building trust, reducing corruption, increasing transparency, and strengthening state institutions. This will provide benefits to the community in the form of better public services, sustainable economic growth, and better socio-political stability. In practice, Good Government Governance can be implemented through various programs and policies, including: bureaucratic reform, strengthening oversight mechanisms, increasing access to public information, infrastructure development, improving the quality of education and health, and inclusive and sustainable economic development. Good Government Governance is a concept that emphasizes the importance of government that is effective, transparent, accountable, participatory, and responsive to the needs of the community. To achieve Good Government Governance, Internal Control Implementation and Good Public Financial Accountability are needed. Internal Control Implementation is a system and procedure designed to ensure the effectiveness and efficiency of government operations, the reliability of financial statements, and compliance with regulations and policies. A strong and effective Internal Control Implementation will give confidence and trust to the public in the performance of the government and its financial management. Public Financial Accountability is the obligation to accurately and transparently report public financial management to the public, and is also responsible for decisions and actions related to public financial management. Public Financial Accountability allows for appropriate decision-making, as well as encourages public participation in public financial supervision (Ma, 2016).

Good Internal Control Implementation and High Public Financial Accountability can improve government performance in achieving Value for Money Performance, which is to achieve goals with the most effective and efficient cost possible. Value for Money Performance is important because people want to get quality services at a reasonable cost. Effective and efficient government performance will increase public satisfaction with public services, as well as build trust and legitimacy of the government in the eyes of the public. Internal Control Implementation refers to a set of procedures, practices, and policies implemented by organizations to ensure that their objectives are achieved effectively and efficiently, and that their financial statements are accurate and reliable. Good Government Governance, Internal Control Implementation is essential to achieve transparency, accountability, and responsiveness in government. Internal Control Implementation is a control process carried out by the organization to ensure that the desired goals and objectives can be achieved effectively and efficiently, as well as minimize the risk of errors and fraud in the implementation of activities. Internal Control Implementation is essential in creating Good Government Governance, as it can ensure that organizations carry out their duties in a transparent, accountable, responsive, and participatory manner (Viegas & Cruz, 2021). The theory related to Internal Control Implementation is the COSO Internal Control Framework developed by the Treadway Organization Sponsoring Committee (COSO, 2013). This framework provides general guidance for identifying, evaluating, and monitoring Internal Control Implementation in an organization. The COSO framework consists of five main components, namely the control environment, risk assessment, control activities, information and communication, and monitoring. Good Government Governance, the COSO framework can help organizations to ensure that their Internal Control Implementation achieves Good Government Governance goals, including transparency, accountability, and responsiveness.

Internal Control Implementation can help improve Public Financial Accountability, by ensuring that the use of public budgets is carried out appropriately, effectively, and efficiently. It can also have a positive impact on Value for Money Performance, as effective and efficient management of public budgets can lead to better performance at lower costs. Internal Control Implementation is essential for organizations, especially governments, to ensure that public budgets are used appropriately and accountably, and to prevent fraud and corruption. Good Government Governance, Internal Control Implementation can also help increase accountability, transparency, and public participation in decision-making involving public resources (Prawitt & Sidorova, 2020). Theories related to Internal Control Implementation include agency theory, where Internal Control Implementation is considered a control mechanism that helps reduce conflicts of interest between management and organization owners. Another theory is signaling theory, where Internal Control Implementation can help organizations to send a positive signal to the public that the organization is managing public resources effectively and efficiently (Gramling & Myers, 2021). The Regional Government of East Kutai Regency has made various efforts to strengthen Internal Control Implementation within the scope of its government, in addition to that the Financial and Development Supervisory Agency (BPKP) and the Regional Inspectorate of East Kutai Regency also play a role in supervising and controlling financial management and government operations in the Regional Government of East Kutai Regency. As an effort to improve the quality of internal control within the East Kutai Regency Regional Government, related agencies can carry out regular

internal audits, evaluate the existing internal control system, and strengthen the training and competency development of government employees in terms of good financial management and government operations. This is expected to strengthen internal control and create Good Government Governance and trust in the Regional Government of East Kutai Regency. In an effort to create a transparent and accountable government, the implementation of Internal Control Implementation and Public Financial Accountability is an important element in regional financial management. Improving the quality of good government governance (Good Government Governance) is expected to be achieved through more efficient and effective budget management, which is reflected in the value for money performance (Value for Money Performance). However, in practice, the effectiveness of regional financial management often faces various challenges, especially in ensuring that the use of the budget truly provides maximum benefits to the community. The phenomenon of the development of various regional icons with large budgets but reaping criticism from the public shows that effectiveness and accountability in the use of the budget are still problems that need further attention.

The development of regional icons in East Kalimantan, such as the Crescent Moon Monument in Sangatta and the Pesut Mahakam Monument in Samarinda, reflects the local government's policy in beautifying the region and creating landmarks that can increase tourist attractions. However, these projects have caused various reactions from the public, especially regarding the design, symbolic meaning, and the amount of budget allocated. The main issue that arises is the extent to which these projects can be considered as investments that generate Value for Money Performance, as well as how the level of Public Financial Accountability in the transparency of the use of the budget has been set. The construction of the Crescent Moon Monument at the Al-Faruq Mosque Roundabout, Rainbow Hill, Sangatta, which cost a budget of IDR 2.5 billion from the 2023 APBD, has drawn criticism from the public. Many residents consider the design to reflect less local identity and more to resemble other objects that do not match the original purpose of its construction. Although the aim of the project was to create a new icon for the city, the non-communicative design made the community question the urgency and relevance of the allocation of public funds for the project. A similar situation occurred in the construction of the Pesut Mahakam Monument in Samarinda, which cost a budget of Rp1.1 billion. This monument was designed as an icon to represent the Pesut Mahakam, a typical mammal of the Mahakam River that is on the verge of extinction. However, despite having a good symbolic purpose, the community considers the shape and design not to meet expectations, thus giving rise to a debate about the benefits and effectiveness of the project in increasing tourist attraction and city identity. In addition, there are several other monument projects in East Kalimantan that cost quite a large budget, such as the Lamin Monument in Berau Regency which was built with a budget of IDR 1.8 billion and the Lembuswana Monument in Kutai Kartanegara with a budget of IDR 1.5 billion. Although the construction of these monuments aims to strengthen regional icons and attract tourists, transparency in planning and accountability in the use of budgets are aspects that are questioned by the community.

The criticisms and pros and cons of the construction of these monuments reflect the challenges in achieving Good Government Governance, especially in the aspects of planning and budget transparency. The public needs to be given a wider space to participate in government project planning, for example through suggestion boxes or public discussion forums before major projects are realized. In addition, the transparent provision of budget information through budget information signs or displays can increase public trust in the government. By ensuring that the budget is used efficiently and according to public needs, the government can increase Value for Money Performance and build more transparent and accountable governance. Strengthening Internal Control Implementation Apart from the district level, the government can take several strategic steps as a step to strengthen Internal Control Implementation, namely the determination of policies and guidelines, the Regency Government must establish clear policies and guidelines related to internal control. This includes the determination of policies, regulations, procedures, and operational standards that must be followed by all units and parts of the Regional Government. These guidelines should cover financial, operational, and Good Government Governance aspects. District Governments need to ensure that their organizational structure supports effective Internal Control Implementation. This involves assigning clear functions and responsibilities related to internal controls, such as the division of duties, the creation of reports, and the adequate separation of duties. The Regency Government must have adequate information and technology systems to support Internal Control Implementation. This includes the use of accounting systems and software that can accurately monitor and process financial transactions, as well as provide relevant reports for supervision and reporting. Public Financial Accountability includes the reporting process, transparency, and Public Financial Accountability. Clear and transparent public financial reporting will provide reliable information to stakeholders, such as governments, the public, and investors. The implementation of Public Financial Accountability must be done correctly and transparently. The government must prepare financial statements that are clear and easy to understand by all parties. Public Financial Accountability must also follow applicable accounting standards and be monitored by an independent accounting body. This will ensure that the financial information presented is accurate, trustworthy, and usable by interested parties (Andrews et al. 2019). One example of effective Public

Financial Accountability practices is the electronic financial reporting system or e-reporting. This system can improve transparency and Public Financial Accountability because financial information can be accessed online and in real-time by all interested parties thus fraud and corruption can be more easily detected and addressed.

Public Financial Accountability shows the government's obligation to account for the use of the public budget in a transparent, responsible, and effective manner. The government is expected to use public resources well and provide clear and open financial reports to the public. The implementation of Public Financial Accountability is considered important in creating Good Government Governance because it can ensure that the government is responsible for the management of its public finances. Public Financial Accountability can also increase public trust in the government and strengthen the influence between the government and the community. To achieve good Public Financial Accountability, the government must have an effective and efficient public financial management system, as well as conduct continuous supervision and audits. The government must also have transparent and accountable policies in the use of the public budget. Some of the factors that can affect Public Financial Accountability include corruption and budget misappropriation, lack of human resources, and inability to design and implement an effective public financial management system. Public Financial Accountability in East Kutai Regency refers to the ability of the local government to manage public finances effectively and efficiently, as well as provide transparent and accurate financial reports to the public. East Kutai Regency has various development programs and projects that require good financial management. It is important for the Regional Government to carry out its duties properly in managing public finances in order to meet the needs of the community, to ensure Public Financial Accountability, East Kutai Regency has introduced various policies and systems, including the use of an integrated financial information system and the use of Government Accounting Standards that apply in Indonesia.

The improvement of Internal Control Implementation and Public Financial Accountability in Indonesia is also the result of various government efforts, such as increasing supervision of public financial management, strengthening the internal control system in government agencies, and carrying out better governance reforms. In order to improve Internal Control Implementation and Public Financial Accountability in Indonesia, it is necessary to make various efforts such as improving the competence of government employees in terms of good financial management and government operations, conducting regular internal audits, and continuing to strengthen the evaluation and improvement of the existing internal control system. Good Internal Control Implementation and Public Financial Accountability conditions are expected to create Good Government Governance and trust, as well as give confidence to the public that public finances in Indonesia are managed transparently, accountably, and responsibly. Research on the influence of Internal Control Implementation on Public Financial Accountability can be found from research conducted by Heryanto & Fauzi (2019) This study shows that internal control contributes significantly to improving public sector financial accountability in Indonesia. Research on the influence of Internal Control Implementation on Value for Money Performance can be found through research conducted by Kusumastuti (2021), the results show that Internal Control Implementation has a significant positive effect on Value for Money Performance in the public sector. Research that supports the influence of Internal Control Implementation on Good Government Governance, research conducted by Abdillah (2017) shows that the internal control system has a positive effect on good governance. Research that supports the influence of Public Financial Accountability on Value for Money Performance can be explained from research conducted by Abor, Amidu, & Issahaku (2017) the results of the study show that public financial management reforms and their perceptions have an effect on Value for Money Performance. The influence of Public Financial Accountability on Good Government Governance is supported by several empirical studies, namely Adalikwu & Onuoha (2019), the results of the study show that Public Financial Accountability has a significant effect on good governance. Value for Money Performance is a concept used to evaluate whether the use of public resources is as efficient and effective as possible in achieving the goals that have been set. This concept is closely related to the principles of Good Government Governance and public accountability. Value for Money Performance can be used as a tool to measure the effectiveness and efficiency of public financial management, and can help governments make better decisions in terms of resource allocation (Van Dooren & Bouckaert, 2021:101). Some of the factors that can affect Value for Money Performance are public policy, human resource management, the procurement system of goods and services, and the government's internal control system (Altman & Haslestad, 2021:89). Based on this, the government needs to ensure that its public financial management system is well integrated, and is able to provide relevant and reliable information to assist in the decision-making process.



## II. LITERATURE REVIEW

### **The Effect of Internal Control Implementation on Value for Money Performance**

This research is based on *Agency Theory* proposed by Jensen and Meckling (1976). This theory explains the influence between *the principal* (the owner of the organization) and *the agent* (manager or manager of the organization), where there is a potential conflict of interest due to the difference in goals between the two. *Agency Theory* emphasizes that without adequate control mechanisms, agents tend to act in their own interests, which can be detrimental to the organization's owners. *Good Internal Control Implementation* serves as a supervisory mechanism that ensures agents act in accordance with the organization's interests, reduce the risk of irregularities, and improve operational efficiency. In practice, good *Internal Control Implementation* contributes significantly to increasing *Value for Money Performance*. With effective internal controls, organizations can ensure that business processes run to standards, minimize the risk of waste, and improve the efficiency of resource use in the public sector, and oversight of budget expenditures can ensure that funds are used for programs that have the optimal impact on society. Efficient business processes also allow organizations to reduce operational costs without compromising service quality, so that *Value for Money Performance* can be increased. Several previous studies support the influence between *Internal Control Implementation* and *value for money performance*. Ettredge & Sun (2018) show that good internal controls allow organizations to manage resources efficiently, which has an impact on improving the efficiency and effectiveness of financial performance. Gao, Greenberg, & Wong (2016) found that organizations with strong internal control systems can reduce waste and increase the value generated from each spend. Jin & Kothari (2017) also stated that the implementation of effective internal controls increases transparency and accountability in financial management, so that organizations can optimize *Value for Money Performance*. These studies show that well-structured and implemented internal controls can be a strategic tool in improving the efficiency of budget use, both in the public and private sectors.

**H1** = *Internal Control Implementation* has a positive and significant effect on *Value for Money Performance* in the East Kutai Regency Government

### **The Effect of Internal Control Implementation on Good Government Governance**

The influence between *Internal Control Implementation* and *Good Government Governance* can be explained with several main theories. *Agency Theory* put forward by Jensen & Meckling (1976) states that internal control is necessary to reduce agency risk, i.e. when managers or managers of an organization act in their own personal interests, which can harm shareholders or society. *Stakeholder Theory* from Freeman (1984) emphasizes that organizations must consider the interests of the various parties involved or affected by their operations, including the community, employees, and other stakeholders. The Theory of Compliance put forward by Weaver & Trevino (1999) also highlights the importance of complying with regulations and laws to prevent the risk of violations, which contributes to the achievement of *Good Government Governance*. *Effective Internal Control Implementation* makes a direct contribution to *Good Government Governance* through monitoring, transparency, and accountability mechanisms. A good internal control system ensures that policies and procedures are followed consistently, which helps prevent irregularities, corruption, and waste. In government, this is important to create public trust in the government. Internal controls also ensure compliance with applicable regulations and laws, thus helping the government to carry out its functions more responsibly and transparently. Previous research supports the positive influence between internal control and *Good Government Governance*. Abdullah & Razak (2015) show that an effective internal control system can increase accountability and transparency in governance, which is the foundation of good governance. Aziz (2017) found that *Internal Control Implementation* has a significant positive influence on good governance in the public sector, including in improving the efficiency and integrity of the decision-making process. Fauzi & Alrazi (2021) show that effective internal controls play a role in ensuring compliance with standards and regulations, which ultimately supports good governance in financial institutions. Research by Khamidah & Suwardjono (2019) supports that strong internal controls help local governments create more transparent and accountable management systems, which contributes to the achievement of *Good Government Governance*. These studies confirm that internal controls are a key element in ensuring effective and accountable governance.

**H2** = *Internal Control Implementation* has a positive and significant effect on *Good Government Governance* in the East Kutai Regency Government.

### **The Effect of Public Financial Accountability on Value for Money Performance**

The influence between *Public Financial Accountability* and *Value for Money Performance* can be explained through the concept of *Public Financial Accountability*, which is rooted in the theory of *Accountability* (O'Malley & Stout, 2015). This theory emphasizes the importance of transparency, the ability to explain the use of resources, and accountability to stakeholders. Gauthier & Sivabalan (2017) stated that strong

*Public Financial Accountability* can improve efficiency and effectiveness in resource management. Ma & Faff (2016) emphasize that *Public Financial Accountability* allows governments to clearly measure the performance of budget use and account for it, thereby increasing public trust. *Good Public Financial Accountability* ensures that every use of the public budget can be accounted for transparently to the public and other stakeholders. This encourages the government to use the budget more efficiently and effectively, resulting in optimal *value for money performance*. With *Public Financial Accountability*, financial management becomes more targeted and results-based, which reduces the risk of waste and misuse of budgets, this means that the funds used actually generate maximum benefits for the community, such as quality infrastructure or targeted social programs. Several studies support the influence between *Public Financial Accountability* and *Value for Money Performance*. O'Malley & Stout (2015) show that transparency and responsibility in the management of the public budget contribute significantly to improving the efficiency of the use of funds. Gauthier & Sivabalan (2017) found that *Public Financial Accountability* allows governments to identify and reduce inefficiencies in budgets, which ultimately increases the value of the money generated from each expenditure. Research by Ma & Faff (2016) also supports that strong *Public Financial Accountability* allows governments to focus more on desired outcomes and ensure that every fund spent has a significant positive impact. Research by Abdillah (2017) and Adil & Lodhi (2019) confirms that increasing *Public Financial Accountability* is very important to encourage efficiency and effectiveness in budget management, thereby resulting in better *value for money performance*. These findings show that *Public Financial Accountability* is an important foundation for achieving optimal financial performance in the public sector.

**H3** = *Public Financial Accountability* has a positive and significant effect on *Value for Money Performance* in the East Kutai Regency Government.

#### **The Influence of Public Financial Accountability on Good Government Governance**

The influence between *Public Financial Accountability* and *Good Government Governance* can be explained through several main theories. *Agency Theory* (Jensen & Meckling, 1976) emphasizes the importance of accountability to ensure that the government as an *agent* acts in accordance with the interests of the community as *principal*. *Social Agency Theory* (Heald, 2006) underlines that public trust and participation in financial management is an important element in building *Good Government Governance*. This theory emphasizes the importance of transparent and effective communication between the government and the public. *Good Governance Theory* (World Bank, 1992) is also relevant, highlighting that principles such as transparency, accountability, participation, and risk management are integral elements of *Good Government Governance*, particularly in the management of public finances. In practice, *Public Financial Accountability* ensures that the government is responsible for the transparent and effective management of public resources. Transparency in financial reporting increases public trust in the government, while accountability ensures that the government carries out its functions in accordance with the public interest. By adopting good governance principles such as effective oversight and community involvement in decision-making, *Public Financial Accountability* encourages governments to use budgets efficiently and responsibly, thereby creating *Good Government Governance*. This condition creates trust between the public and the government, which ultimately strengthens the legitimacy and effectiveness of public policies. Previous research supports the positive influence of *Public Financial Accountability* on *Good Government Governance*. Heald (2006) shows that transparent and effective communication in the management of public finances can increase public trust in the government and encourage public participation, which is an important element of good governance. Abdullah & Razak (2015) found that strong *Public Financial Accountability* contributes significantly to the achievement of good governance through increased transparency and financial oversight. Fauzi & Alrazi (2021) show that *consistently implemented Public Financial Accountability* helps the government better carry out its supervisory functions, ensuring that funds are used for appropriate purposes. Research by Adil & Lodhi (2019) and Kariuki & Gathogo (2018) also emphasizes that *Public Financial Accountability* improves the effectiveness of risk management and the efficiency of budget use, which are important indicators of *Good Government Governance*. These studies show that *Public Financial Accountability* is a key component in building transparent, accountable, and participatory governance.

**H4** = *Public Financial Accountability* has a positive and significant effect on *Good Government Governance* in the East Kutai Regency Government.

#### **The Effect of Value for Money Performance on Good Government Governance**

The influence between *Value for Money Performance* and *Good Government Governance* can be explained through several main theories. *Agencification Theory* (Hood, 1995) explains that public organizations must be managed with business principles to improve the efficiency and effectiveness of resource use. *Value for Money Performance* is an indicator of the success of public resource management to achieve the goals that have been set. In addition, *Accountability Theory* (Bovens, 2007) emphasizes that public organizations must be

accountable to the public for the use of public budgets, where *Good Government Governance* serves as a framework to ensure transparency and accountability. *The New Public Management (NPM) Theory* (Hood, 1995) emphasizes the application of business management principles in the public sector, where efficiency, effectiveness, and good governance are the main focuses to improve the performance of public organizations. *Value for Money Performance* reflects the government's ability to use the budget efficiently, effectively, and economically to achieve development goals. *Good Government Governance*, on the other hand, provides principles such as transparency, accountability, and participation to ensure that every budget expenditure provides maximum benefits to the community, in the management of regional development programs, high *value for money performance* indicates that budget allocation is on target and provides optimal results. This strengthens *Good Government Governance* because the public can see that the government is responsible in the use of the budget and meets their needs in a transparent and accountable manner. Previous research supports the positive influence between *Value for Money Performance* and *Good Government Governance*. Hood (1995) shows that the application of the principle of agencification encourages public organizations to increase efficiency and effectiveness, which ultimately strengthens governance. Bovens (2007) states that accountability in the use of public resources supports transparency and accountability, which are important elements of good governance. Research by Zaidi & Adil (2019) found that *Value for Money Performance* has a significant effect on *Good Government Governance* at the regional level through improving efficiency and budget supervision. Heriyanto & Kurniawan (2021) show that optimal *value for money performance* creates public trust in the government, which supports the implementation of better governance. Research by Aslam & Ahmad (2020) also emphasizes that efficiency in public spending not only improves development outcomes but also strengthens transparent and accountable governance mechanisms. These studies show that high *value for money performance* is a key element in supporting *Good Government Governance*.

**H5** = *Value for Money Performance* has a positive and significant effect on *Good Government Governance* in the East Kutai Regency Government

#### **The Effect of Internal Control Implementation on Good Government Governance through Value for Money Performance**

The influence between *Internal Control Implementation* and *Good Government Governance* through *Value for Money Performance* can be explained through *Agency Theory* put forward by Jensen & Meckling (1976). This theory highlights the importance of an internal control system to ensure that *agents* (managers/governments) act in accordance with *the interests of the principal* (owner/community). With good internal controls, organizations can reduce the risk of irregularities, increase efficiency, and ensure that resources are used optimally, reflecting *value for money*. *Good Government Governance* is the result of a system that is able to maintain transparency, accountability, and efficiency in financial management. *Effective Internal Control Implementation* ensures that every business process runs according to established standards, reduces waste, and increases budget use efficiency. *Value for Money Performance* is the main indicator of the success of *Internal Control Implementation*, which shows that public funds have been used economically, efficiently, and effectively. This contributes to the achievement of *Good Government Governance* because organizations are able to demonstrate accountability and transparency in budget management, which increases public trust. Ettredge & Sun (2018) show that good internal control improves the efficiency of budget use and *value for money*, which ultimately supports *Good Government Governance*. Gao, Greenberg & Wong (2016) found that organizations with strong internal control systems have better financial performance and are able to demonstrate transparency in financial management. Jin & Kothari (2017) also argue that internal controls effectively improve the efficiency and effectiveness of resource use, which is an important element in *Good Government Governance*.

**H6** = *Internal Control Implementation* has a positive and significant effect on *Good Government Governance* through *Value for Money Performance*

#### **The Influence of Public Financial Accountability on Good Government Governance through Value for Money Performance**

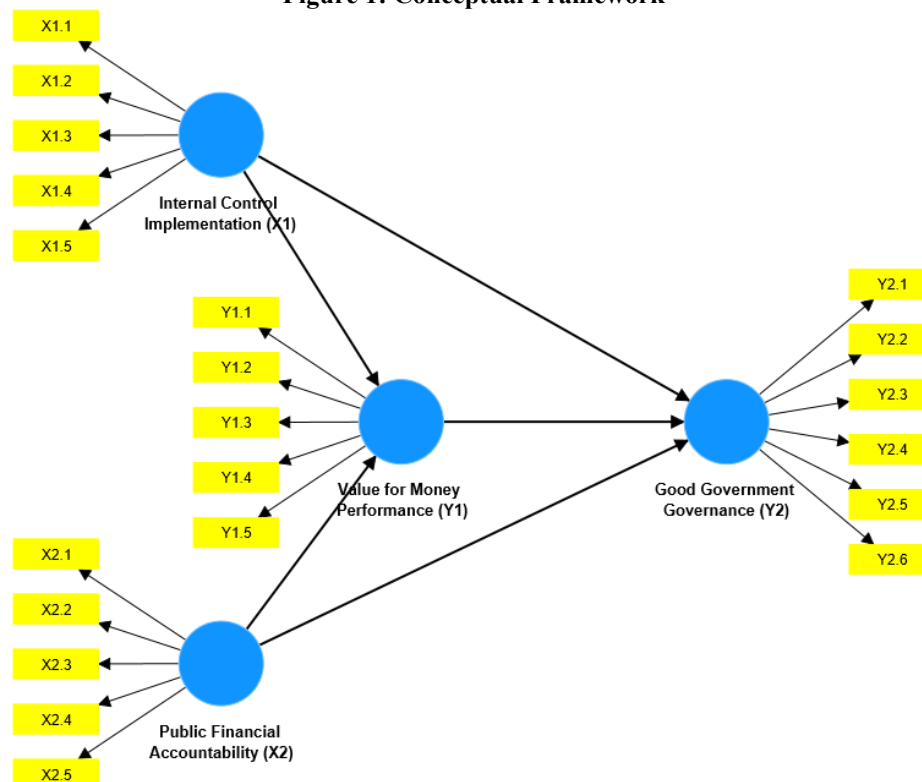
The influence between *Public Financial Accountability* and *Good Government Governance* through *Value for Money Performance* is based on *Accountability Theory* (Bovens, 2007). This theory emphasizes that *Public Financial Accountability* ensures that the government is responsible for the use of public resources. *Value for Money* is one of the important indicators that shows that public funds have been used efficiently, effectively, and economically. With transparency in reporting and accountability in financial management, the government can increase public trust and realize *Good Government Governance*. *Strong Public Financial Accountability* ensures that every budget expenditure is carried out efficiently and effectively, resulting in *value for money*. *Value for Money Performance* shows that the budget is used in accordance with the goals that have been set and provides maximum benefits to the community. With high accountability, the government can

demonstrate that the budget management process is carried out in a transparent, responsible, and accountable manner, which supports the principles of *Good Government Governance* such as transparency, participation, and good supervision. O'Malley & Stout (2015) show that *Public Financial Accountability* contributes significantly to improving the efficiency of budget use and ensuring that public funds are used as intended. Gauthier & Sivabalan (2017) found that strong *Public Financial Accountability* increases transparency and efficiency in budget management, which supports the achievement of *Good Government Governance*. Research by Ma & Faff (2016) supports that *Public Financial Accountability* helps ensure that the use of budgets is more targeted and generates *value for money*, which strengthens *Good Government Governance*.

**H7** = *Public Financial Accountability* has a positive and significant effect on *Good Government Governance* through *Value for Money Performance*

Based on the formulation of hypotheses, the research model proposed by the authors is as shown in Figure 1.

**Figure 1: Conceptual Framework**



Source: Result of author's analysis, 2025

### III. RESEARCH METHODOLOGY

The research employed a quantitative approach using a survey method, where data was collected via questionnaires distributed to 88 financial officers or treasurers across various Regional Apparatus Organizations (OPD) in East Kutai Regency. The study aimed to examine the influence of Internal Control Implementation and Public Financial Accountability (as independent variables) on Good Government Governance, with Value for Money Performance acting as a mediating variable. Each variable was operationally defined using well-established frameworks—COSO (2013) for Internal Control, IMF (2016) for Financial Accountability, ACCA (2020) for Value for Money, and Kaufmann & Mastruzzi (2007) for Good Governance—supported by a comprehensive set of indicators. A census method was applied due to the relatively small population size. The data collection used a Likert-scale questionnaire and was analyzed using Structural Equation Modeling with Partial Least Square (SEM-PLS). This technique is appropriate for small sample sizes, accommodates non-normally distributed data, and allows for simultaneous analysis of both formative and reflective constructs. The SEM-PLS process involved seven key steps, including structural and measurement model design, path diagram construction, coefficient estimation, model fit evaluation, and hypothesis testing via bootstrapping. This analytical strategy ensured rigorous statistical validation of the conceptual framework and provided insights into how governance practices can be strengthened through improved control and accountability mechanisms.



#### IV. RESULT AND DISCUSSION

##### Data Analysis

The first-stage model evaluation focuses on the measurement model. Examination of the PLS-SEM estimation for the measurement model allows the researcher to evaluate the reliability and validity of the constructs. Multivariate measurement involves using multiple variables to measure a concept indirectly. Evaluation of the measurement model includes tests of internal consistency reliability, indicator reliability, convergent validity and discriminant validity as shown in Table 1. There are two methods that can be used to measure reliability of a construct, namely Cronbach's alpha or composite reliability. However, the use of Cronbach's alpha tends to provide a lower estimated value so that PLS-SEM is recommended to use composite reliability. Indicator reliability on PLS-SEM is measured from the outer loading value which shows the correlation between the indicator and its construct. Convergent validity in constructs can be measured using AVE. Discriminant validity can be measured from cross loading or the loading value of other constructs is a comparison to the value of the outer loading indicator associated with a construct where the required loading indicator value must be more than the cross-loading value.

**Table 1: Evaluation of Measurement Model**

Table 1: Evaluation of Measurement Model						
Variabel	Original sample estimate	T-Statistics	P-Value	Composite Reliability	AVE	Cross Loading
Internal Control Implementation (X <sub>1</sub> )						
X1.1	0.901	7.006	0,000	0,930	0,728	Yes
X1.2	0.867	6.424	0,000			
X1.3	0.887	6.474	0,000			
X1.4	0.826	5.841	0,000			
X1.5	0.780	4.388	0,000			
Public Financial Accountability (X <sub>2</sub> )						
X2.3	0.587	5.349	0,000	0,815	0,602	Yes
X2.4	0.886	22.291	0,000			
X2.5	0.823	14.815	0,000			
Value for Money Performance (Y <sub>1</sub> )						
Y1.1	0.751	12.140	0,000	0,859	0,605	Yes
Y1.2	0.678	6.380	0,000			
Y1.3	0.838	14.508	0,000			
Y1.4	0.833	20.333	0,000			
Good Government Governance (Y <sub>2</sub> )						
Y2.1	0.859	8.588	0,000	0,948	0,751	Yes
Y2.2	0.882	8.121	0,000			
Y2.3	0.818	7.733	0,000			
Y2.4	0.878	8.774	0,000			
Y2.5	0.903	9.495	0,000			
Y2.6	0.858	8.016	0,000			

Source: Calculated using SmartPLS, 2025

The information presented describes the results of factor analysis conducted to examine the relationship between several variables measured in a study. The variables observed consisted of leadership, self-efficacy, job characteristics, organizational commitment, and employee performance. Each of these variables has several indicators that are used to measure or represent certain aspects of that variable. Given loadings indicate how strong the relationship between each indicator and its associated variables is. Composite reliability is a measure of the combined reliability of the indicators in a variable, while Average Variance Extracted (AVE) measures how well the indicators represent that variable. Cross loading indicates whether certain indicators have a significant correlation with other variables, which may indicate a problem in construct validity. By examining this information, researchers can evaluate the reliability and validity of the measurement instruments used in the study.

##### Hypothesis Test

After ensuring that the measurement model of the construct is reliable and valid, then hypothesis testing is carried out. Hypothesis testing in this study is carried out on a structural model or inner model which shows a direct or indirect relationship between exogenous and endogenous latent variables. Hypothesis testing is based on the significance value of the path coefficient after resampling or bootstrapping 5,000 times. The statistical test used is the t test with a confidence level of 95% or a significance level of 5%. The hypothesis is accepted if the t value is more than the t-table value for the two-tailed test, namely 1,96. The results of bootstrapping procedur as shown in Table 2.

**Direct Effect:** Direct effects refer to the influence or relationship between one variable and another without any intermediate variables. In this case, the information provides details about the direct effects between variables, including the original sample size, T statistics, P values, and whether the effects are significant.

Based on the results of the analysis, the Internal Control Implementation variable on Value for Money Performance has an original sample value of -0.148, with a t-statistic of -1.533 and a P-value of 0.125. This P-value is greater than 0.05, which means that the effect of Internal Control Implementation on Value for Money Performance is not significant. This shows that internal control implementation directly has a significant effect on value for money performance in this study. In other words, even if an internal control system is implemented, it does not necessarily increase the efficiency of budget use and the value of money generated from regional financial management.

The Public Financial Accountability variable on Value for Money Performance has an original sample of 0.630, with a t-statistic of 8.147 and a P-value of 0.000. These results show that Public Financial Accountability has a positive and significant influence on Value for Money Performance. With a t-statistic value far above 1.96 and a very small P-value, it can be concluded that the higher the level of public financial accountability, the better the value for money performance produced. This indicates that transparency in public financial management, accurate recording, and clear accountability have a major impact on the efficiency and effectiveness of budget use in local government.

On the influence between Internal Control Implementation and Good Government Governance, the results of the analysis showed an original sample value of 0.059, with a t-statistic of 0.402 and a P-value of 0.688. This value shows that the influence between Internal Control Implementation and Good Government Governance is not significant because the P-value is well above 0.05 and the t-statistic is very low. This indicates that even if internal controls are implemented, it does not necessarily improve good governance in the absence of other supporting factors, such as strict regulations, transparent organizational culture, and effective leadership.

The influence of Public Financial Accountability on Good Government Governance was also not significant, with an original sample value of -0.005, t-statistic of 0.033, and a P-value of 0.974. With a P-value of almost 1, this shows that public financial accountability has no direct influence on good government governance in this research model. Although financial accountability is an important factor in the governance system, this study suggests that other factors may be more dominant in influencing good government governance, such as leadership, regulation, and public participation in budget oversight.

The effect of Value for Money Performance on Good Government Governance was also not significant, with an original sample value of -0.175, t-statistic of 1.014, and a P-value of 0.310. Although value for money performance is an indicator of budget use efficiency, in this study it was found that the value of money generated from regional financial policies does not have a direct influence on improving good government governance. This can be caused by bureaucratic factors, political policies, or the inability of the financial management system to directly affect the governance structure at the regional level.

The direct effects results showed that only the Public Financial Accountability variable had a significant influence on Value for Money Performance, while the other influences did not show a significant influence. This indicates that transparency and public financial accountability are key factors in improving the efficiency of the use of the regional budget, but aspects such as internal control and value for money performance are not strong enough to directly improve good government governance.

**Indirect Effect:** Indirect effects involve the influence of one variable on another variable through an intermediary or mediating variable. The information provided for indirect effects includes the original sample size, T statistics, P values, and explanations about the significance of the indirect effects.

The results of the analysis showed that the indirect influence of Internal Control Implementation on Good Government Governance through Value for Money Performance had an original sample of 0.026, with a t-statistic of 0.715 and a P-value of 0.475. A P-value well above 0.05 indicates that this effect is insignificant. This means that while Internal Control Implementation can affect Value for Money Performance, it is not strong enough to have a significant impact on Good Government Governance. This indicates that although the internal control system is implemented in local government, other factors beyond value for money performance may be more dominant in determining the quality of good government governance, such as regulatory compliance, effective leadership, and community involvement in public policy oversight.

The indirect influence of Public Financial Accountability on Good Government Governance through Value for Money Performance has an original sample of -0.110, with a t-value of 0.988 and a P-value of 0.323. These results also show that this effect is not significant because the P-value is greater than 0.05. Although Public Financial Accountability has a significant effect on Value for Money Performance, it does not automatically improve Good Government Governance through mediation variables. This suggests that while public financial accountability can improve the efficiency and effectiveness of the use of local budgets, other

factors may be more important in shaping good government governance. For example, transparency in decision-making, policy stability, and legislative oversight can be factors that are more influential in improving governance than relying solely on public financial accountability and value for money performance.

The results of Total Indirect Effects in this study show that Value for Money Performance cannot be a significant mediating variable in the influence between Internal Control Implementation and Public Financial Accountability on Good Government Governance. In other words, while internal controls and financial accountability can improve the efficiency of budget use, they do not necessarily result in better governance. Based on this, to strengthen the influence between regional financial management and good government governance, a more holistic approach is needed, such as improving policy transparency, increasing public participation, and strengthening supervision in the implementation of local government policies.

**Table 2.**  
**Bootstrapping Results**

Influence Values Between Variables	Original sample	T-Statistics	P-Values
<i>Internal Control Implementation → Value for Money Performance</i>	-0.148	-1.533	0.125
<i>Public Financial Accountability → Value for Money Performance</i>	0.630	8.147	0.000
<i>Internal Control Implementation → Good Government Governance</i>	0.059	0.402	0.688
<i>Public Financial Accountability → Good Government Governance</i>	-0.005	0.033	0.974
<i>Value for Money Performance → Good Government Governance</i>	-0.175	1.014	0.310
Influence Between Variables	Original sample	T-Statistics	P-Values
<i>Internal Control Implementation → Value for Money Performance → Good Government Governance</i>	0.026	0.715	0.475
<i>Public Financial Accountability → Value for Money Performance → Good Government Governance</i>	-0.110	0.988	0.323

Source: Calculated using SmartPLS, 2025

## Discussion

The results of the analysis show that the implementation of the internal control system does not have a significant influence on the efficiency of budget use and the achievement of money value in regional financial management. Although this system has been implemented in government organizations, the results of the study show that its existence has not been able to directly increase the effectiveness of resource allocation. This indicates that there are other factors outside of the internal control mechanism that are more dominant in determining *value for money performance* in public financial administration. Efficient budget management depends not only on the internal control system applied, but also on budgeting policies, managerial capabilities, and a commitment to transparency in the use of public funds. In *internal control implementation*, there are three indicators with the highest *loading factor* values, namely the control environment, control activities, and risk assessment. The control environment has a major role in ensuring that organizational policies and procedures run in accordance with applicable rules. Control activities, which include work procedures and internal oversight mechanisms, also contribute to maintaining regulatory compliance and preventing budget irregularities. Meanwhile, risk assessments help in identifying potential bottlenecks in financial management, so that organizations can anticipate risks that may interfere with the achievement of budget goals. In *value for money performance*, the three indicators with the highest *loading factor* values are relevance, compliance, and effectiveness. Relevance indicates the extent to which the budget is used for purposes that the community really needs, while compliance measures the level of government compliance with applicable regulations and standards in the use of public funds. Effectiveness focuses on the results achieved from the use of the budget and ensuring that government spending provides maximum benefits to society. Although there is a strong *Internal Control Implementation* mechanism, the results of this study show that *internal control implementation* is not enough to significantly increase *Value for Money Performance*. This indicates that the effectiveness and efficiency of budget use requires more than just a good internal control system. Other factors such as transparency in budget policy, public involvement in the financial decision-making process, and a stricter evaluation system for budget management are important elements in increasing *Value for Money Performance* in local government. The results of this study show that *internal control implementation* does not have a significant direct influence on *value for money performance*. These findings show that the existence of an internal control system, although important, is not enough to guarantee the achievement of efficiency and effectiveness in the use of public budgets. In the framework of theory, this research refers to the *Agency Theory* developed by Jensen and Meckling (1976), which describes the relationship between the *principal* (owner of interest, i.e. the community) and the *agent* (the manager of the organization, i.e. the government). In this relationship, there is a potential conflict of interest due to the difference in objectives between the two, so a

control system is needed that is able to ensure that the agent acts in accordance with the primary interests of the interest owner. *The ideal internal control implementation* functions as an internal control system to reduce irregularities, increase accountability, and ensure efficiency in public financial management. In the practice of public sector organizations, this mechanism should help ensure that the process of planning, implementing, and evaluating the budget runs in accordance with the established development procedures and goals. When this process takes place consistently and integrated, the risk of resource wastage can be reduced and development goals can be achieved more efficiently. These findings are in line with several previous studies, a study conducted by Ettredge & Sun (2018) confirms that a good internal control system allows organizations to manage resources more efficiently, which ultimately improves the effectiveness of financial performance. In addition, Gao, Greenberg, & Wong (2016) found that implementing effective internal controls can reduce waste and increase the value of any budget expenditure. Another study by Jin & Kothari (2017) also showed that a structured internal oversight system can improve transparency and accountability in financial management, which contributes to improving the efficiency of budget use in the public sector. Based on this theory and empirical evidence, optimally implemented internal control should be a strategic instrument in improving regional financial efficiency, although in this study the effect has not been seen significantly.

The results of the analysis show that the implementation of an internal control system does not have a significant influence on *good government governance*. Although internal control is applied in government organizations, it has not been able to directly improve the quality of governance. This shows that the effectiveness of governance is determined not only by the existence of an internal control system, but also by other factors such as strict regulation, an organizational culture that supports transparency, and effective leadership. Thus, even if oversight mechanisms have been implemented, their impact on improving governance is still limited if not supported by other structural and institutional factors. In *internal control implementation*, the three indicators with the highest *loading factor* values are the control environment, control activities, and risk assessment. The control environment reflects how organizational structure, work culture, and ethics in governance can affect the effectiveness of financial management. Control activities play a role in ensuring that financial procedures are carried out with good supervision mechanisms to prevent irregularities. Risk assessments allow local governments to identify potential problems in financial governance and take necessary corrective action. In *good governance*, the three indicators with the highest *loading factor* values are equality and inclusivity, transparency, and consensus-oriented. Equality and inclusivity show the extent to which government policies take into account the interests of all groups of people without discrimination. Transparency describes the government's openness in presenting policy, planning, and financial management information to the public. Consensus-oriented refers to how decisions taken by local governments involve various stakeholders in achieving solutions that are beneficial to all parties. Although *Internal Control Implementation* has a strong structure in managing regional finances, the results of this study show that the internal control aspect is not enough to directly improve *Good Government Governance*. Transparency, community participation, and leadership that is responsive to public needs are important factors in building better governance. Based on this, to strengthen the relationship between internal control and governance, there is a need for increased public involvement in budget supervision, openness in policy formulation, and strengthening accountability mechanisms that are accessible to the public at large. In this study, the relationship between *internal control implementation* and *good government governance* did not show a statistically significant influence. Although theoretically internal control is seen as an important foundation in creating accountable and transparent governance, the findings show that the existence of an internal control system is not strong enough to directly affect the quality of governance. The Agency Theory put forward by Jensen and Meckling explains that control is necessary to suppress agency risk when public officials act inconsistently in the public interest. Meanwhile, Freeman's Stakeholder Theory expands on the view that governments must accommodate the interests of all parties affected by public policy, and Weaver & Trevino's Compliance Theory emphasizes the importance of compliance with the rule of law as part of good governance. *Internal control implementation* still has the potential to be an important driver for the achievement of *good governance* if carried out effectively and comprehensively. A structured internal control system should prevent irregularities, strengthen the integrity of decision-making, and ensure that the implementation of development programs runs in accordance with the principles of transparency and accountability. However, the results of this study indicate that the effectiveness of internal controls in encouraging good governance is still influenced by other variables, such as regulatory consistency, bureaucratic leadership, and organizational culture. Therefore, although conceptually *internal control implementation* has an important role, in practice in the local government of East Kutai Regency, this role has not been fully reflected in improving the quality of governance. Previous research supports these findings, where Abdullah and Razak (2015) found that an effective internal control system can improve accountability and transparency in governance, which is the main foundation of good governance. Aziz (2017) also found that *Internal Control Implementation* has a significant positive influence on good governance in the public sector, including in improving the efficiency and integrity of the decision-making process. In addition,



research by Fauzi and Alrazi (2021) shows that effective internal controls play a role in ensuring compliance with standards and regulations, which ultimately supports good governance in financial institutions. Research by Khamidah and Suwardjono (2019) also supports that strong internal controls help local governments create more transparent and accountable management systems, which contributes to the achievement of *Good Government Governance*. The results of this study strengthen the understanding that internal control that is optimally applied can be a strategic tool in supporting more transparent and accountable governance.

The results of the analysis show that *public financial accountability* has a positive and significant influence on *value for money performance* in regional financial management. The higher the level of accountability in financial management, the better the efficiency and effectiveness of the resulting budget. Transparency in financial reporting, accurate recording, and clear accountability contribute greatly to ensuring that public funds are managed optimally and in accordance with the goals that have been set. This indicates that an accountable financial management system is able to reduce inefficiencies, prevent budget irregularities, and increase public trust in local governance. In *Public Financial Accountability*, the three indicators with the highest *loading factor* values are effective oversight of the use of public funds, accurate and clear reporting of government spending, and fairness and transparency in decision-making. Effective oversight ensures that every expenditure of public funds is closely monitored and in accordance with applicable regulations, so that the risk of budget misuse can be minimized. Accurate and clear reporting allows the public and other stakeholders to know how the budget is being used, which increases confidence in the region's financial management. Transparency in decision-making ensures that financial policies are carried out openly and accountably, so that the budget is allocated to programs that truly benefit the community. In *value for money performance*, the three indicators with the highest *loading factor* values are relevance, compliance, and effectiveness. Relevance reflects the extent to which the budget is used for programs or policies that the community really needs, ensuring that expenditures are made in accordance with regional development priorities. Compliance indicates the level of government compliance with applicable regulations and standards in financial management, which ensures that public funds are not misused and are in accordance with their intended use. Effectiveness describes the extent to which the use of the budget provides optimal results in achieving regional development goals, so that the benefits generated are proportional to the resources used. The results of this study show that *Public Financial Accountability* is a key factor in increasing *Value for Money Performance*. Local governments that implement strict supervision systems, transparent financial reporting, and fair and transparent budget policies will be better able to allocate budgets efficiently and effectively. Thus, an improvement in the *public financial accountability* system will not only ensure better budget management but also contribute to increasing *value for money performance* in regional development. This finding is in line with several previous studies, O'Malley and Stout (2015) stated that transparency in the management of public budgets contributes significantly to improving the efficiency of the use of funds. Gauthier and Sivabalan (2017) also found that *public financial accountability* allows governments to identify and reduce inefficiencies in budgets, thereby increasing the value of money generated from each expenditure. Ma and Faff (2016) emphasized that strong *public financial accountability* allows the government to focus more on the desired outcomes and ensure that every fund spent has a significant impact on society. In addition, research by Abdillah (2017) and Adil and Lodhi (2019) shows that increasing *public financial accountability* is very important in encouraging efficiency and effectiveness in budget management, which ultimately has an impact on achieving better *value for money performance*. These findings reinforce the conclusion that *public financial accountability* is a fundamental factor in ensuring that the resources used by the government can provide maximum benefits to the community and support transparency and better financial governance.

The results of the analysis show that *public financial accountability* does not have a significant influence on *good government governance*. Although financial accountability is an important factor in governance systems, the results of this study suggest that other factors may be more dominant in shaping effective governance. Factors such as leadership, clear regulation, and public participation in the oversight of budget policies can have a greater role in creating transparent and accountable governance. This shows that although financial accountability mechanisms have been implemented, their impact on improving governance is not always immediately apparent without the support of strong institutional aspects and bureaucratic culture. In *public financial accountability*, the three indicators with the highest *loading factor* values are effective oversight of the use of public funds, accurate and clear reporting on government spending, and fairness and transparency in decision-making. Effective oversight plays an important role in ensuring that public funds are used appropriately, so as to prevent potential budget abuse and corruption. Accurate and clear reporting allows for transparency in the use of budgets, which can increase public trust in the government. Meanwhile, fairness and transparency in decision-making underline that the government's financial policies are carried out with the interests of the community at large in mind and not only benefit certain groups. In *good governance*, the three indicators with the highest *loading factor* values are equality and inclusivity, transparency, and consensus-oriented. Equality and inclusivity show the extent to which government policies consider the interests of the

entire community without discrimination, which is one of the main characteristics of good governance. Transparency describes how the government opens access to information related to policies, financial management, and decision-making processes to the public. Consensus-oriented refers to how decisions made by local governments involve various stakeholders to achieve a solution that is fair and acceptable to all parties. The results of this study show that although *Public Financial Accountability* plays an important role in creating a transparent and accountable financial system, its impact on *Good Government Governance* is not significant enough. This indicates that in building better governance, a broader approach is needed, such as increasing public participation in policy formulation, strengthening regulations, and increasing institutional capacity in carrying out supervisory functions. Transparency and *public financial accountability* need to be combined with stronger control mechanisms and more active community involvement to truly create effective, efficient, and public-interest-oriented governance. In this study, *public financial accountability* did not show a significant influence on *good government governance*. Although theoretically the relationship between the two is very close, empirical results show that public financial accountability is not strong enough to directly affect the quality of good governance in the East Kutai Regency Government. This indicates that although the financial reporting and accountability system has been implemented, its effectiveness in creating a transparent, accountable, and responsive government still faces various structural and cultural challenges, such as weak public participation, suboptimal legislative oversight, and low quality of bureaucratic leadership. The main theories on which this relationship is based are *Agency Theory* by Jensen and Meckling (1976) which emphasizes the importance of accountability mechanisms to ensure that agents (governments) act in accordance with the interests of the principal (society). *Social Agency Theory* from Heald (2006) expands on this concept by emphasizing that public trust and participation in public financial management is key to building *good government governance*. Furthermore, *the Good Governance Theory* from the World Bank (1992) underlines the importance of the principles of transparency, participation, accountability, and risk management as core elements in realizing good governance. Although the theoretical foundation is very supportive, in practice the success of public financial accountability in encouraging good governance depends heavily on the synergy between a strong administrative system, leadership with integrity, and active community involvement. This finding is supported by several previous studies, research conducted by Fauzi and Alrazi (2021) shows that the consistent implementation of financial accountability can improve the government's supervision system, thereby ensuring that the budget is used efficiently and in accordance with the goals that have been set. Adil and Lodhi (2019) and Kariuki and Gathogo (2018) emphasized that *public financial accountability* increases the effectiveness of risk management and the efficiency of budget use, which are the main indicators of *good government governance*. These findings reinforce the conclusion that although *public financial accountability* is a factor that supports *good government governance*, its effectiveness in improving governance still depends on other supporting factors such as strict regulation, community participation, and leadership effectiveness in the government sector.

The results of the analysis show that *value for money performance* does not have a significant influence on *good government governance*. Although the efficiency of budget use is often considered a key indicator of the success of regional financial management, this study found that improvements in expenditure efficiency do not necessarily have a direct impact on the quality of governance. This can be caused by various factors, such as bureaucratic complexity, political policies oriented towards specific interests, and weaknesses in the system of supervision and evaluation of public policies. Thus, even though budget allocation is carried out efficiently, it is not necessarily reflected in the improvement of more transparent, accountable, and participatory governance at the local government level. In *value for money performance*, the three indicators with the highest *loading factor values* are relevance, compliance, and effectiveness. Relevance describes the extent to which government budget expenditure is in accordance with the needs of the community and regional development goals. Compliance shows how the government follows standards and regulations in the management of public finances to ensure that every fund is used according to established procedures. Effectiveness reflects the extent to which the use of the budget provides optimal results for the welfare of the community and regional development. In *good governance*, the three indicators with the highest *loading factor values* are equality and inclusivity, transparency, and consensus-oriented. Equality and inclusivity highlight the importance of just government policies for all people without discrimination. Transparency reflects the government's openness in conveying information related to budgets, policies, and decision-making to the public, so that the public can conduct more effective supervision. Consensus-oriented emphasizes the importance of involving various stakeholders in the decision-making process so that the resulting policies can be better accepted and implemented. Although *Value for Money Performance* shows how budgets are managed efficiently and effectively, this study shows that an increase in the efficient use of budgets has not been enough to drive *good governance* directly. This indicates that *good governance* requires more than just financial efficiency, but also transparency, community involvement, and leadership with integrity. Based on this, in order for *Value for Money Performance* to truly improve *good government governance*, a more comprehensive approach is needed, including increasing

regulations in budget supervision, improving a more transparent financial reporting system, and public participation mechanisms in every stage of public budget planning and management. In this study, *value for money performance* did not show a significant influence on *good government governance*. These results indicate that efficiency and effectiveness in the use of the budget, although theoretically important, have not been directly able to encourage the achievement of good governance in East Kutai Regency. This can happen because other institutional factors such as the quality of supervision, community participation, and the integrity of public leadership are still obstacles that have not been fully resolved. Although the implementation of the budget has shown indicators of effectiveness and efficiency, it is not necessarily able to create a transparent, accountable, and inclusive government system. Theoretically, the relationship between *value for money performance* and *good government governance* can be explained through several key approaches. *Agencification Theory* put forward by Hood (1995) emphasizes that public sector organizations should be managed with business management principles to improve efficiency and accountability. In this case, *value for money* is the main indicator of the success of public budget management. *Accountability Theory* from Bovens (2007) also states that public organizations have an obligation to account for the use of the budget to the community, and the principles of good governance serve as a framework to realize this. Furthermore, *the New Public Management (NPM) Theory*, which was also developed by Hood (1995), encourages transformation in the public bureaucracy by prioritizing efficiency, effectiveness, and performance-based results as part of governance reform. However, the results of this study show that although the concept of *value for money performance* contributes to *good government governance*, the application of these principles requires systematic support from other aspects such as institutional reform, improving bureaucratic integrity, and active community involvement so that the impact is truly felt in government practice. This finding is in line with research conducted by Zaidi and Adil (2019) found that *value for money performance* affects local governance through increased efficiency and budget supervision. Heriyanto and Kurniawan (2021) stated that optimal *value for money performance* creates public trust in the government, which supports the implementation of better governance. Aslam and Ahmad (2020) also emphasized that efficiency in public spending not only improves development outcomes but also strengthens transparent and accountable governance mechanisms. These findings suggest that high *value for money performance* can be an important element in supporting better governance, but its impact remains dependent on other factors such as regulatory effectiveness, public oversight, and openness in decision-making. In addition to the results of research showing that *Value for Money Performance* does not have a significant direct effect on *Good Government Governance*, actual phenomena in the field also reinforce that the principles of efficiency, effectiveness, and economics in public budget management have not been fully implemented optimally in the Regional Government of East Kutai Regency. One of the cases that reflects this problem is the construction of the Crescent Moon Monument in Sangatta, which has received various criticisms from the community. Although this project cost Rp2.5 billion, the shape of the monument is considered unrepresentative as a regional symbol and is even considered to resemble the shape of a helmet or crab claws. These problems arise due to immature planning and supervision, so that the output produced is not proportional to the budget that has been allocated. This shows the weak application of *the value for money principle* in the budgeting process and implementation of regional projects. Public criticism of the project also shows that Good Government Governance has not been fully achieved, especially in terms of transparency, community participation, and accountability. This problem can be exacerbated by the absence of a control system capable of detecting deviations or discrepancies between plans and implementations in the field. Thus, this phenomenon reinforces the findings in the study that *Value for Money Performance*, while important, cannot stand alone as a determinant of *Good Government Governance* in the absence of strong institutional support and oversight.

The results of the analysis show that the indirect influence between the implementation of the internal control system on *good government governance* through *value for money performance* is not significant. Although internal controls play a role in improving the efficiency of financial management, the results of the study show that this increase in efficiency does not necessarily improve the quality of governance. This indicates that *good governance* is not only determined by internal control mechanisms and budget efficiency, but is also influenced by other factors such as compliance with regulations, leadership effectiveness, and the level of community involvement in public policy oversight. Thus, even if an internal control system is implemented, its impact on governance still depends on the effectiveness of its implementation as well as the support of various institutional elements. In *internal control implementation*, the three indicators with the highest *loading factor* values are the control environment, control activities, and risk assessment. The control environment plays an important role in creating a culture of compliance with financial policies, ensuring that every financial administration process is carried out according to applicable standards. Control activities ensure that there is an effective internal supervision system to prevent potential irregularities in the use of the budget. Meanwhile, risk assessment assists local governments in identifying and anticipating factors that may interfere with the effectiveness of regional financial management policies. In *value for money performance*, the three indicators with the highest *loading factor* values are relevance, compliance, and effectiveness. Relevance

describes how government budget expenditure is directed in accordance with the priority needs of the community to ensure maximum benefits. Compliance assesses the extent to which local governments comply with regulations in financial management, thereby reducing the risk of budget abuse. Effectiveness shows how the budget used really produces an optimal impact on regional development and community welfare. In *good governance*, the three indicators with the highest *loading factor* values are equality and inclusivity, transparency, and consensus-oriented. Equality and inclusivity ensure that government policies benefit all groups of society without discrimination. Transparency describes the extent to which local governments open access to information about budgets, policies, and decision-making to the public. Consensus-oriented highlights the importance of the involvement of various stakeholders in policy formulation so that decisions taken can be widely accepted and effectively implemented. The results of this study show that although *Internal Control Implementation* can help increase *Value for Money Performance*, its impact on *Good Government Governance* is not significant enough. This indicates that *good governance* requires more than just internal control and budget efficiency. Transparency in public policy, community involvement in budget supervision, and institutional capacity building in regional financial management are important elements in strengthening more effective, accountable, and public service-oriented governance. Based on this, a more comprehensive approach is needed to improve governance, by optimizing the internal control system and strengthening the monitoring mechanism and information disclosure to the public. In this study, the indirect pathway between *internal control implementation* and *good government governance* through *value for money performance* did not show a significant influence. Although theoretically internal control is believed to have a role in improving the efficiency and effectiveness of budget use which can further promote the achievement of good governance, empirical results show that the relationship is not strong enough. This shows that even though the internal control system has been implemented, it does not necessarily automatically result in efficient and transparent financial management, and it is not enough to affect the quality of overall governance. Other factors such as regulatory quality, bureaucratic integrity, and public supervision are still important elements that help determine the creation of *good government governance*. In theory, this relationship is explained by the *Agency Theory* of Jensen and Meckling (1976), which states that internal control is an important mechanism to ensure that *agents* act in accordance with the *interests of the principal* (society). When the internal control system is implemented effectively, the risk of irregularities can be reduced, and efficiency in the use of public resources can be achieved, as reflected in the *value for money performance* indicator. In this context, economical, efficient, and effective financial management contributes to the achievement of *good government governance*, which includes transparency, accountability, and public trust in the government. However, the results in this study show that without institutional strengthening and adequate public participation, the positive influence of internal control through budget efficiency has not been able to have a significant impact on the quality of governance in East Kutai Regency. Previous research has also supported these findings. Ettredge and Sun (2018) show that good internal controls improve the efficiency of budget use, which contributes to more transparent governance. Gao, Greenberg, and Wong (2016) found that organizations with strong internal control systems have better financial performance and are able to demonstrate higher accountability in financial management. Jin and Kothari (2017) also support that effective internal controls improve the efficiency and effectiveness of resource use, which is an important element in achieving *good governance*. These findings confirm that a strong internal control system contributes to financial efficiency, but its impact on governance still requires the support of clear regulations and a stricter supervisory system.

The results of the analysis show that the indirect influence of *public financial accountability* on *good government governance* through *value for money performance* is not significant. Although *public financial accountability* has a close influence on the efficiency and effectiveness of budget use, these findings suggest that improvements in *value for money performance* do not necessarily automatically improve governance. This can be caused by various other factors that are more dominant in forming *good government governance*, such as the level of transparency in decision-making, the stability of government policies, the effectiveness of regulations, and strict legislative supervision. Thus, although financial accountability mechanisms have been implemented and budget efficiency has improved, the impact on governance remains dependent on the effectiveness of oversight systems and the implementation of policies that are in the public interest. In *public financial accountability*, the three indicators with the highest *loading factor* values are effective oversight of the use of public funds, accurate and clear reporting on government spending, and fairness and transparency in decision-making. Effective oversight ensures that public funds are used in accordance with the established plan, minimizes the risk of budget misuse, and increases public confidence in the management of government finances. Accurate and clear reporting allows for transparency in the use of the budget, so that the public can know how public funds are allocated and used. Fairness and transparency in decision-making affirm that budget policies are made based on objective considerations and do not unfairly benefit certain groups. In *value for money performance*, the three indicators with the highest *loading factor values* are relevance, compliance, and effectiveness. Relevance shows the extent to which budget expenditure is in line with the needs of the



community and regional development policies. Compliance assesses the level of local government compliance with regulations in financial management, ensuring that public funds are used in accordance with applicable regulations. Effectiveness describes the extent to which the use of the budget can provide maximum benefits to the community and achieve results that are in accordance with the development goals that have been set. In *good governance*, the three indicators with the highest *loading factor* values are equality and inclusivity, transparency, and consensus-oriented. Equality and inclusivity reflect how government policies are made with the interests of the entire community in mind without discrimination. Transparency describes the government's openness in providing information to the public about policies, budgets, and decision-making processes. Consensus-oriented shows the importance of the participation of various stakeholders in policy formulation so that the resulting decisions are more acceptable and implemented effectively. The results of this study show that although *Public Financial Accountability* plays an important role in creating a more transparent and accountable financial system, its effect on *Good Government Governance* through *Value for Money Performance* is not significant enough. *Good government governance* requires more than just financial accountability and budget efficiency. Stricter regulations, transparency in public policy, and public participation in decision-making are important factors in ensuring better governance. In this study, the indirect influence of *public financial accountability* on *good government governance* through *value for money performance* did not show statistically significant results. These findings show that although public financial accountability can improve efficiency and effectiveness in budget management, these impacts have not directly contributed to improving the quality of good governance in East Kutai Regency. These results indicate that efficiency in the use of the budget does not automatically transform into transparent, participatory, and accountable governance, if it is not balanced with other elements such as a strong oversight system, policy stability, and community involvement in the public policy formulation process. Theoretically, the relationship between *public financial accountability* and *good government governance* through *value for money performance* is based on the *Accountability Theory* proposed by Bovens (2007). This theory emphasizes that the government as a manager of public resources must be able to account for every use of the budget in a transparent and open manner to the public. In this framework, *value for money* is an important indicator that reflects the effectiveness, efficiency, and economy in the implementation of public programs. When *public financial accountability* runs optimally, the government should be able to show that the funds managed are really used for the benefit of the community, which ultimately strengthens *good government governance*. However, the results of this study show that without more comprehensive oversight support, broad public participation, and a bureaucratic culture that supports transparency, these relationships cannot be realized in real terms in local government systems. Previous research has also shown that *public financial accountability* contributes to improving the efficiency of budget use and ensuring that public funds are used according to purpose (O'Malley & Stout, 2015). Gauthier and Sivabalan (2017) found that strong *public financial accountability* increases transparency and efficiency in budget management, which supports the achievement of *good governance*. Ma and Faff (2016) also emphasized that the implementation of *public financial accountability* helps to ensure that the use of the budget is more targeted and generates *value for money*, which ultimately strengthens better governance. Based on these findings, it can be concluded that while *public financial accountability* and budget management efficiency are important elements of governance, their impact on good governance still depends on other supporting factors, such as strong regulation, transparent leadership, and public participation in public policy oversight.

## V. CONCLUSION, LIMITATION AND FUTURE RESEARCH

Based on the findings of this study, several important conclusions can be drawn regarding the relationship between internal control implementation, public financial accountability, value for money performance, and good government governance in the context of regional government in East Kutai Regency. First, the research reveals that internal control implementation does not have a statistically significant direct effect on value for money performance. This implies that while internal control systems may be in place administratively, they have yet to be implemented effectively enough to produce meaningful improvements in the efficiency and effectiveness of public spending. To address this, internal control must go beyond procedures—it must be accompanied by a strong regulatory environment, ethical organizational culture, and well-trained personnel who can execute oversight functions accurately and consistently. Without these supporting elements, internal control mechanisms alone will not be sufficient to optimize budget utilization.

Second, public financial accountability shows a significant positive impact on value for money performance. This finding emphasizes the importance of transparent financial reporting, responsible budgeting, and public involvement in budget monitoring. When accountability practices are robust, local governments are better positioned to avoid wasteful spending, ensure resources are allocated appropriately, and demonstrate measurable outcomes from public expenditures. This confirms that financial accountability is a critical driver of fiscal discipline and efficient public service delivery.

Third, neither internal control implementation nor public financial accountability exhibit a direct influence on good government governance. This result reflects the complex nature of governance, where structural, political, and cultural variables may outweigh technical or financial controls. Even with sound financial systems in place, governance quality is heavily influenced by the integrity of leadership, policy consistency, institutional trust, and responsiveness to public needs. Thus, improving governance requires a holistic approach that integrates administrative reforms with ethical leadership and participatory governance structures.

Fourth, the study finds that value for money performance does not directly contribute to improved governance. Although efficient and effective use of budgets is a necessary component of good governance, it is not sufficient by itself. Budgetary efficiency must be matched with transparency, inclusiveness, and fairness to generate public trust and legitimacy. Without complementary reforms in political institutions and stakeholder engagement, improvements in financial performance will not translate into meaningful governance outcomes.

Fifth, value for money performance also does not significantly mediate the relationship between internal control or public financial accountability and good governance. This indicates that achieving cost-effective outcomes alone does not bridge the gap between technical financial practices and broader governance improvements. Structural integrity, transparent decision-making, and inclusive policy development remain essential factors in transforming financial performance into governance success.

Sixth, while transparency and public financial accountability are recognized as key enablers of budget efficiency, they are not enough to ensure good governance in the absence of structural reforms. Challenges such as rigid regulations, weak oversight systems, and uneven bureaucratic capacity hinder the transition from efficient budgeting to effective governance. This underscores the need for a more integrative and multilevel approach that combines fiscal discipline with institutional strengthening and civic engagement.

Finally, the research highlights the need for a comprehensive and collaborative approach to building good governance. This includes active involvement from civil society in planning, implementing, and evaluating public policies. Governments must promote participatory mechanisms, ensure access to transparent data, and strengthen independent oversight institutions. Only by embedding democratic values and accountability into every stage of public administration can local governments, such as East Kutai Regency, foster a governance environment that is not only financially sound but also just, inclusive, and trusted by the people. This reinforces the idea that sustainable development and public welfare can only be achieved through a combination of strong financial management and democratic governance.

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