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THE INFLUENCE OF LEADERSHIP AND BUDGETING ON GOOD GOVERNANCE WITH THE GOVERNMENT INTERNAL CONTROL SYSTEM AS AN INTERVENING VARIABLE

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ABSTRACT
This study aims to examine the influence of leadership and budgeting on good government governance with the government's internal control system as an intervening variable in the Medan City Regional Planning and Development Agency. This study is a quantitative study with an associative approach. The associative approach is an approach with two or more other variables. The sample in this study was 50 respondents. This study uses primary data by distributing questionnaires to respondents, namely all employees in the Medan City Planning and Development Agency. The data were analyzed using the SPSS version 26 application. Based on the results, it shows that leadership and budgeting have a significant influence on SPIP. Leadership also has a significant direct effect on good government governance, while budgeting does not have a significant direct impact on good government governance. The government's internal control system plays an important role in supporting good government governance and functions as a mediator in the relationship between leadership and budgeting with good government governance.
Keywords: **Budgeting, Good Government Governance, Government Internal Control System, Leadership.**

INTRODUCTION

Good Government Governance (GGG) is the main principle in effective governance, which includes professionalism, efficiency, transparency, and commitment to the interests of the community. (Hani, 2023) defines Good Government Governance as a procedure used to manage economic and social resources in order to achieve community development and good governance. The public's desire for clean and responsible governance demands effective Good Government Governance at all levels of government (Nainggolan, 2022) . However, even though reforms have been going on for more than 15 years, the implementation of Good Government Governance in Indonesia has not been fully successful. Many frauds and leaks were found in budget management and accounting which hampered the achievement of Good Government Governance (Rohayatin et al., (2018). According to (Hanum & Farhan, 2019) , a budget is a systematically prepared plan that includes all organizational activities and is expressed in numerical units for a certain period. And according to (Nainggolan, 2015) the Public Sector Budget is a budget that is a plan to be expressed quantitatively, usually in monetary units. Budgeting is not only an

administrative tool but also a strategic instrument that supports the achievement of organizational or government goals effectively and efficiently (Nainggolan, E. P, Parlindungan, Ak, 2022) . However, in practice, there is often a mismatch between the planned budget and the budget realization. A budget is a written plan containing activities within an organization which is stated quantitatively and used in monetary units for a certain period. (Rapika Br Girsanga, Irfan, 2024) . Data from the Medan City Bappeda budget realization report shows significant fluctuations from year to year. In 2021, only around 67.46% of the total budget was realized, while in 2022 it increased to 91.89%. Although there was an improvement, in 2023 the percentage of budget realization decreased to 82.55%. This discrepancy indicates problems in budget planning and implementation that need to be addressed to achieve better effectiveness. The Government Internal Control System (SPI) is a key element in supporting GGG and ensuring good budget management. SPI, according to (Sawyes, 2021) . is an integral process carried out by leaders and employees to achieve organizational goals through effective and efficient activities and reliable financial reporting. PP Number 60 of 2008 defines SPI as a process that includes securing state assets, compliance with regulations. The internal control system also plays an important role in increasing accountability and transparency in financial management. This system must be integrated and provide timely, complete, reliable, and relevant information for decision making (Nainggolan, 2023) . If internal control does not function properly, it will certainly result in deviations (Tarigan & Sari, 2021) . The importance of leadership in improving Bappeda performance and ensuring responsiveness to community needs (Hartono & Yahya, 2017) . Effective leadership can help minimize reliance on technical instructions and encourage individual initiative, while budgeting should be done in a transparent and participatory manner to support policy evaluation and improvement (Ajizah et al., 2021) . Firmansyah, (2019) shows the significant influence of leadership, budget realization, and internal control systems on operational performance. Juwita & Prajameta, (2022) and Bakkareng et al., (2022) also emphasized the importance of internal control systems and clarity of budget targets in improving managerial performance. This study aims to explore the influence of leadership and budgeting on good government governance with the government's internal control system as an intervening variable. The main focus of this study is to evaluate how leadership and budgeting affect governance in Bappeda Medan City, as well as to provide recommendations in improving the effectiveness and efficiency of budget management and internal control systems.

METHODS

This research uses quantitative research methods. There are four variables including leadership, budgeting, government internal control system, and Good Government Governance. Using a five-point Likert scale, all items are rated 1 (strongly disagree) to 5 (strongly agree). Perceptions are made from as suggested by previous researchers. The sample of this study was all employees of BAPPEDA Medan City with a total of 50 employees. Data collection was carried out by distributing questionnaires to all employees. Data were collected directly at BAPPEDA Medan City. Cluster analysis was conducted to group participants into age groups, education, length of service, and classes. Data processing used SPSS version 26 software application.

RESULTS

Validity Test

Validity is an instrument that can be used to measure between data that occurs in an object and data that can be collected by researchers (Sugiono, 2017) .

Table 1. Validity Test

No Item	Question	Calculated r value	r table value	Information
X1.1		0.838	0.284	
X1.2		0.889	0.284	
X1.3		0.866	0.284	VALID
X1.4		0.936	0.284	
X1.5		0.889	0.284	
X2.1		0.929	0.284	
X2.2		0.794	0.284	
X2.3		0.900	0.284	VALID
X2.4		0.877	0.284	
X2.5		0.921	0.284	
Y1		0.750	0.284	
Y2		0.880	0.284	
Y3		0.860	0.284	VALID
Y4		0.906	0.284	
Y5		0.936	0.284	
Z1		0.912	0.284	
Z2		0.853	0.284	
Z3		0.287	0.284	VALID
Z4		0.897	0.284	
Z5		0.897	0.284	

Source: Data processed by SPSS 26, 2024

It can be seen from the image above that the calculated r value for variables X1, X2, Y, and Z is greater than the table r value (0.284), indicating that the relationship between these variables is statistically significant.

Reliability Test

Reliability testing is a tool for measuring a questionnaire which is an indicator of a variable (Ghozali, 2011) .

Table 2. Reliability Test Results

Variables	Cronbach's Alpha	Standard	Information
Leadership (X1)	0.956	0.60	Reabel
Budgeting (X2)	0.957	0.60	Reabel
SPIP (Z)	0.907	0.60.	Reabel
GGG (Y)	0.952	0.60	Reabel

Source: Data processed by SPSS 26, 2024

Thus, it can be concluded that the statements in this questionnaire are reliable because they have a Cronbach's alpha value of more than 0.60.

Classical Assumption Test

According to Ghozali (2014) , if the classical assumptions are met, then the regression estimation with least square (OLS) will be BLUE (Best Linear Unbiased Estimator), meaning that decision making through the F Test and T Test must not be biased. In the study, there are several classical assumption tests, including:

Normality Test

The normality test in this study was conducted by means of graphical analysis and the One-Sample Kolmogorov-Smirnov Test. Normality can be detected by looking at the distribution of data (points) on the diagonal axis of the graph or by looking at the histogram of the residuals:

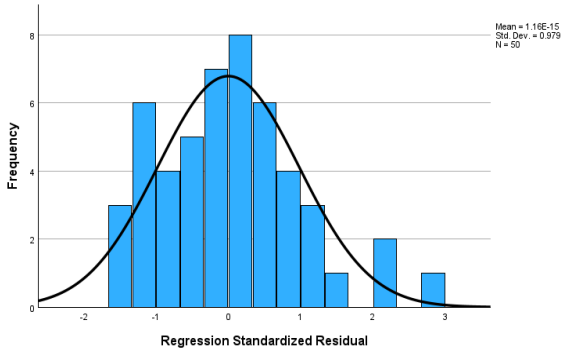

Figure 1. Histogram Graph

Source: Data processed by SPSS 26,

Based on the histogram images above, it can be seen that the distribution pattern is close to normal, because the data follows the direction of the histogram graph line, it can be seen that the normality test is met.

Table 3. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		50
Normal Parameters [a,b]	Mean	.0000000
	Std. Deviation	11.66581464
Most Extreme Differences	Absolute	.072
	Positive	.072
	Negative	-.005
Test Statistic		.072
Asymp. Sig. (2-tailed)		,200 [d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction

Source: SPSS 26 output, data processed 2024.

From the table above with N = 50 data, it can be seen that the Kolmogorov-Smirnov value is 0.072. The Kolmogorov-Smirnov significance value shows a value of 0.200 which means it is greater than 0.05, so it can be concluded that the data above is normally distributed.

Multicollinearity Test

Testing for multicollinearity can be detected using tolerance value and variance inflation factor (VIF). It is said that there is no multicollinearity if the VIF value is less than 10 and the tolerance value is more than 0.10. The multicollinearity test can be seen in the following table:

Table 4. Multicollinearity Test Results

Coefficients

Model		Collinearity Statistics	
		Tolerance	**VIF**
1.	(Constant)		
	Leadership	,152	6,580
	Budgeting	,160	6.242
	GGG	,523	1,913

a. Dependent Variable: SPIP

Source: SPSS 26 output, data processed 2024.

Based on the table above, there is no indication of significant multicollinearity in the variables analyzed. The Tolerance value for the leadership variable (X1) is 0.152, budgeting (X2) is 0.160, and GGG (Y) is 0.523, all of which are greater than 0.10. In addition, the VIF values for the three variables are 6.580, 6.242, and 1.913, respectively, all of which are less than 10. Thus, these variables do not show multicollinearity.

Heteroscedasticity Test

Heteroscedasticity testing using scatterplot graphs. The following is a display of the scatterplot graph of the regression model in this study which is presented in the Figure below.

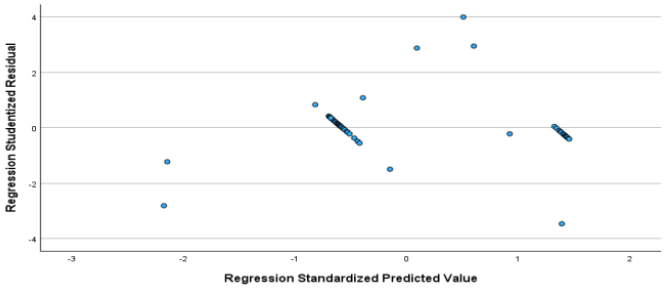

Figure 2. Statterplot Heteroscedasticity Test

Source: SPSS 26 output, data processed 2024

In a good regression model, usually there is no heteroscedasticity from the Figure above, it can be seen that the points are spread randomly and. So it can be concluded that there is no heteroscedasticity in the regression model in this study. In the analysis of plots graphs have quite significant weaknesses. Therefore, a statistical test is needed that can better

guarantee the accuracy of the results. The statistical test used is the Glejser Test through the regression of the absolute residual value with its independent variables. The sig value is compared to 0.05. The statistical results can be seen in the table below.

Table 5. Heteroscedasticity Test Results – Glejser Test

Coefficientsa [a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
1. (Constant)	1,026	.681		1,506	.139
Leadership	-.083	.072	-.442	-1.158	.253
Budgeting	.028	.069	.141	.397	.693
GGG	.011	.006	.341	1,734	.090

a. Dependent Variable: ABS_RES

Source: SPSS 26 Output Processed data, (2024).

Based on the results of the heteroscedasticity test using the Glejser test, it can be concluded that the variables Leadership (X1), Budgeting (X2), and GGG (Y) do not experience heteroscedasticity. This can be seen from the significance value (sig) of each variable which is greater than 0.05, namely 0.253 for X1, 0.693 for X2, and 0.090 for Y. Thus, there is no indication that these variables experience heteroscedasticity problems in the analysis model.

Path Analysis

Path analysis is the use of regression analysis to estimate the causal relationship between variables (casual models) that have been previously determined based on theory. Path analysis in this study is divided into 2 equations, namely:

Path Coefficient of Model I

Table 6. First Test Results Coefficients [a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1. (Constant)	-3.374	.786		4.291	.00 0
Leadership	.421	.089	.495	4,758	.0 00
Budgeting	.409	.088	.484	4,650	. 000

a. Dependent Variable: SPIP

Source: data processed by SPSS 26

The SPSS output results, from the table above, the conclusion can be seen in the explanation below:

- It is known that the significant value of the leadership variable is 0.000 (>0.05), so it can be concluded that the leadership variable has a significant effect on the government's internal control system variable.
- It is known that the significance value of the budgeting variable is 0.000 (>0.05), so it can be concluded that the budgeting variable has a significant effect on the government's internal control system variable.

Table 7. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1.	.958 [a]	.917	.914	.63926

a. Predictors: (Constant), Budgeting, Leadership

Source: data processed by SPSS 26

It is known that the R Square value is 0.958, which means that the contribution of the influence of leadership and budgeting variables to good government governance is 95.8%. Meanwhile, the e1 value can be found using the formula e1 = √(1-0.958) = 0.204.

Model II Path Coefficient Results

Table 8. Second Test Results

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1.	(Constant)	-62,673	16,989		-3,689	.001
	Leadership	1,179	1,974	.187	.597	.553
	Budgeting	-.362	1,946	-.058	-.186	. 853
	SPIP	4.354	2,671	.587	1,630	.110

a. Dependent Variable: GGG

Source: data processed by SPSS 26

The SPSS output results, from table 4.18, the conclusion can be seen in the explanation below:

a. It is known that the significance value of the leadership variable (X2) is 0.001 (<0.05), so it can be concluded that the leadership variable has a significant effect on the Good Government Governance variable (Y).
b. It is known that the significance value of the budgeting variable (X2) is 0.553 (>0.05), so it can be concluded that the budgeting variable does not have a significant effect on the Good Government Governance variable (Y).

c. It is known that the significance value of the Government Internal Control System variable (Z) is 0.853 (>0.05), so it can be concluded that the good government governance variable has no effect on Good Government Governance (Y).

Table 9. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1.	.960 [a]	.922	.917	.62828

a. Predictors: (Constant), GGG, Budgeting, Leadership

Source: data processed by SPSS 26

It is known that the R Square value is 0.960, which means that the contribution of the influence of the leadership, budgeting and good government governance variables to the government's internal control system variable is 96%. While the e2 value can be found using the formula e2 = √(1-0.960) = 0.2.

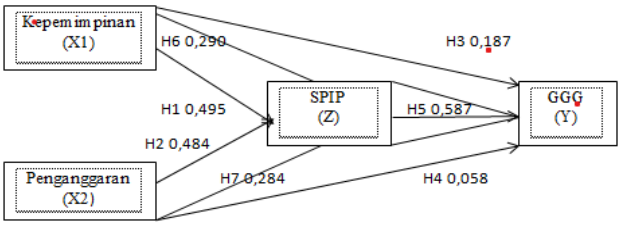

Figure 2. Path Analysis results framework

DISCUSSION

Leadership variables influence the Government Internal Control System Variables 1.

The results of the analysis show that the Leadership variable (X1) has a significant effect on the Government Internal Control System (Z) with a significance value of 0.000 (<0.05). It can be concluded that the first hypothesis is accepted. This is reinforced by the results of the study (Il- & Th, 2017) . Entitled The Influence of Leadership and Organizational Commitment on the Government Internal Control System to Achieve Good Government Governance at the Bandung Regency Regional Planning, Research and Development Agency. provides the conclusion that partially Leadership has a positive influence on the Government Internal Control System.

Budgeting variables affect the Government Internal Control System Variables 2.

The results of the analysis show that the Budgeting variable (X2) has a significant effect on the Government Internal Control System (Z) with a significance value of 0.000 (<0.05). It can be concluded that the second hypothesis is accepted. This is reinforced by the results of the study (Cantika et al., 2021) entitled The Influence of Budget Participation, and the Government Internal Control System with Organizational Commitment as a Moderating Variable on Managerial Performance in Regional Apparatus Organizations (OPD) in Jambi Province. provides the conclusion that partially Budgeting has a positive effect on the Government Internal Control System.

Leadership variables influence Good Government Governance 3.

The results of the analysis show that the Leadership variable (X1) has a significant effect on Good Government Governance (Y) with a significance value of 0.001 (<0.05). It can be concluded that the third hypothesis is accepted. This can be strengthened by the results of the study (Rainia et al., 2020) entitled The Influence of Leadership and Implementation of Good Governance Principles on the Performance of Employees of the Majalengka Regency Trade Office. It concludes that the leadership variable has a significant effect on good government governance.

Budgeting variables influence Good Government Governance 4.

The results of the regression analysis show that this hypothesis cannot be accepted. Testing the effect of Budgeting (X2) on Good Government Governance (Y) produces a coefficient of -0.362 with a significance value of 0.553, which is greater than the significance limit of 0.05. The relationship between Budgeting and Good Government Governance is not strong enough to be considered statistically significant. This shows that in the context of this study, Budgeting does not play a direct role in influencing the level of Good Government Governance. This finding suggests that other factors may have a greater impact on Good Government Governance, and budget management may not be the main variable in achieving the results.

Budgeting variables influence Good Government Governance 5.

The results of the analysis show that the variable of the Government Internal Control System (Z) does not have a significant effect on Good Government Governance (Y) with a significance value of 0.853 (> 0.05). There is no strong enough evidence to support the significant effect of the Government Internal Control System on Good Government Governance. This indicates that in the data analyzed, the Government Internal Control System does not play a sufficient role in improving Good Government Governance. Therefore, it may be necessary to consider other variables or additional approaches to understand and improve Good Government Governance effectively.

The Leadership Variable has an influence or mediation on the Good Government Governance Variable through the Government Internal Control System Variable as an Intervening Variable 6.

The results of the analysis show that the Leadership variable (X1) has a significant influence on the Government Internal Control System (Z) and also on Good Government Governance (Y), with significance values of 0.000 and 0.001 respectively. However, the System Government Internal Control (Z) does not have a significant effect on Good Government Governance (Y) with a significance value of 0.853. Because the Government Internal Control System (Z) does not have a significant effect on Good Government Governance (Y), this variable does not qualify to be an intervening variable. In other words, although Leadership (X1) has an effect on the Government Internal Control System (Z) and Good Government Governance (Y), the direct relationship between Leadership (X1) and Good Government Governance (Y) cannot be mediated by the Government Internal Control System (Z).

Budgeting variables have an influence or mediation on Good Government Governance variables through the Government Internal Control System Variable as an Intervening Variable 7.

The results of the analysis show that the Budgeting variable (X2) has a significant effect on the Government Internal Control System (Z) with a significance value of 0.000. However, Budgeting (X2) does not have a significant effect on Good Government Governance (Y) with a significance value of 0.553. And the Government Internal Control System variable (Z) also does not have a significant effect on Good Government Governance (Y) with a significance value of 0.853. Because Budgeting (X2) does not have a significant effect on Good Government Governance (Y) and Government Internal Control System (Z) also does not have a significant effect on Good Government Governance (Y), then the Government Internal Control System (Z) does not function as an intervening variable in the relationship between Budgeting (X2) and Good Government Governance (Y).

CONCLUSION

Based on the results of the study conducted on 50 employees of BAPPEDA Medan City as a sample in this study, the results of the analysis and discussion in the previous chapter were obtained, it can be concluded that there is From the results of the analysis conducted, the Leadership variable has a significant effect on the Government Internal Control System and Good Government Governance, supporting the first and third hypotheses, in accordance with previous studies. On the other hand, Budgeting shows a significant effect on the Government Internal Control System but is not significant on Good Government Governance, which contradicts the fourth hypothesis. The Government Internal Control System does not have a significant effect on Good Government Governance, so it cannot function as an intervening variable in the relationship between Leadership or Budgeting and Good Government Governance, as hypothesized in the sixth and seventh hypotheses. These findings indicate that although Leadership plays an important role, other factors need to be considered to fully understand the dynamics of Good Government Governance.

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