



TESTING THE MEDIATION ROLE OF PUBLIC SERVICE QUALITY IN THE RELATIONSHIP BETWEEN INTERNAL CONTROL IMPLEMENTATION AND GOOD GOVERNMENT GOVERNANCE OF THE REGIONAL GOVERNMENT OF NORTH SUMATRA USING SEM-PLS

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Abstract:

The North Sumatra Regional Government has a significant responsibility in organizing effective and accountable governance for the welfare of its people. The implementation of internal control (ICI) is crucial in achieving this goal. Effective internal control can help optimize resource management and prevent fraud and abuse of power. This study examines the mediating role of public service quality (PSQ) in the relationship between internal control implementation and good governance (GGG) in PDSU. The analysis using the SEM-PLS model shows that internal control implementation has a significant direct influence on public service quality. However, the direct influence of public service quality on good governance is not statistically significant. The implication of these findings is the importance of enhancing internal control implementation to improve public service quality, even though the direct influence of public service quality on good governance is not statistically supported in this study.

Keywords: *Internal Control Implementation, Public Service Quality, Good Governance*

INTRODUCTION

The North Sumatra Regional Government has a big responsibility in providing effective and accountable government for the welfare of its people (Assoum & Alinsato, 2023). In an effort to achieve this goal, the implementation of internal control is very important. Effective internal controls can help optimize resource management and prevent fraud and abuse of power (Zou et al., 2023). However, even though internal control has a vital role, there are still limitations in understanding how internal control influences good governance. In this context, the important role of public service quality emerges as a mediator in the relationship between the implementation of internal control and good governance (Habu & Henderson, 2023).

Good quality public services can strengthen public trust in the government and form the basis for transparent, accountable and responsive governance. Therefore, it is important to examine the mediating role of public

service quality in the relationship between the implementation of internal controls and good governance in the North Sumatra provincial government (Corderly et al., 2023). The formulation of this research problem includes the relationship between the implementation of internal control and the quality of public services, the extent to which the quality of public services mediates the relationship between the implementation of internal control and good governance, and whether there is a direct influence of the implementation of internal control on good governance (M. Zhang et al., 2023). The aim of this research is to fill this knowledge gap by testing the relationship model between these variables using Structural Equation Modeling Partial Least Square (SEM-PLS). Thus, it is hoped that this research can provide a deeper understanding of the dynamics between the implementation of internal control, the quality of public services, and good governance in the North Sumatra provincial government.

LITERATURE REVIEW

ICI is the process of implementing mechanisms and policies established by an organization to manage risk, ensure accountability and compliance with regulations. The following is the definition of ICI according to several experts: ICI is the process by which management builds, implements and maintains an adequate internal control system (van der Jagt et al., 2023). According to (Eshun & Denton, 2022), ICI is the process of designing and implementing control and supervision actions aimed at helping an organization achieve its goals. Meanwhile, according to (Tan et al., 2022), ICI is a process carried out by management to ensure that organizational resources are used effectively and efficiently, and that the organization's financial reporting is accurate and timely (Mahaarcha & Sirisunhirun, 2023).

According to (Liu & Qi, 2022) PSQ is the ability of a country to meet the needs and desires of its citizens by providing quality and efficient services. (Basloom et al., 2022) defines PSQ as the government's ability to provide services that meet community expectations efficiently and effectively. According to (Arbaa & Varon, 2018) Public Service Quality is the government's ability to provide effective, efficient, affordable and quality services to the community. (J. Zhang & Mora, 2023) defines PSQ as the government's ability to provide services that satisfy the needs and desires of society in an efficient and effective manner. According to (Chung et al., 2022) PSQ is the government's ability to provide quality services, meet community expectations, and improve community welfare.

GGG is a government system that is effective, accountable, responsive and transparent in carrying out public affairs (Salo et al., 2023). According to UNDP, GGG is a government system that is responsive, transparent, accountable, participatory and fair in carrying out public affairs. (Afiah & Azwari, 2015) According to Transparency International, GGG is a government system that is transparent, has integrity, is effective, efficient and pays attention to people's rights (Giglio et al., 2018). According to (Tangney et al., 2023), GGG is a government system that is open, participatory, accountable, effective and responsive in carrying out public affairs.



Figure 1. Conceptual Freme

RESEARCH METHODS

Research design is a plan or strategy used to collect data or information in a study (McDermott, 2023). A good research design will ensure that the data obtained is relevant to the research objectives and can be used to answer the research questions asked (Díaz & Cano, 2022). The type of research used is quantitative research with a survey method using a questionnaire as a data collection tool (Sukmadilaga et al., 2015). The respondents who will be used as samples are government officials in provinces and districts/cities in North Sumatra. The collected data will be analyzed using Structural Equation Modeling Partial Least Square (SEM-PLS) to test the proposed hypothesis. The operational definition of each variable in this research is as follows:

ICI is an ICI carried out by the Provincial and Regency/City regional governments in North Sumatra to ensure that public resources are managed well, transparently and accountably, and in accordance with applicable laws and regulations. ICI is measured by several indicators as follows:

1. Control Environment. The Control Environment includes the values, ethics and culture of an organization that influence internal control.
2. Risk Assessment. Risk Assessment includes the process of identifying, assessing and managing risks related to local government operations.
3. Control Activities. Control Activities include processes and control actions carried out by local governments to maintain the integrity and accountability of task implementation.
4. Information and Communication. Information and Communication includes the process of collecting, processing and delivering relevant and accurate information to interested parties.
5. Monitoring. Monitoring includes the process of evaluating and supervising the effectiveness and efficiency of internal control.

PSQ is a PSQ provided by the provincial and district/city governments in North Sumatra to the community to meet public needs and expectations, covering aspects such as affordability, speed, accuracy, comfort and customer satisfaction. PSQ is measured by several indicators as follows:

1. Responsiveness. The Responsiveness indicator measures the extent to which the provincial and district/city governments in North Sumatra can respond quickly and appropriately to the needs and expectations of the community.
2. Effectiveness. The Effectiveness Indicator measures the extent to which the Provincial and Regency/City regional governments in North Sumatra can achieve the objectives that have been set in providing public services.

3. Efficiency. The Efficiency Indicator measures the extent to which the Provincial and Regency/City local governments in North Sumatra can provide public services at optimal cost and time.
4. Equity (Justice). The Justice Indicator measures the extent to which the provincial and district/city governments in North Sumatra can provide public services fairly and equally to the entire community, without discrimination against certain groups.

Accessibility (Affordability). The Affordability Indicator measures the extent to which the provincial and district/city governments in North Sumatra can provide public services that are easily accessible and available to the entire community, especially those in remote or less developed areas.

GCG is GCG carried out by the Provincial and Regency/City regional governments in North Sumatra in implementing public policies and carrying out government functions in a transparent, accountable, participatory and good public service orientation. GCG is measured by several indicators as follows:

1. Transparency. Transparency is the ability of governments to publish their information and actions clearly and openly to the public.
2. Participation. Participation is the community's ability to be involved in the government decision-making process.
3. Responsiveness. Responsiveness is the government's ability to respond to community requests and needs quickly and appropriately.
4. Consensus-oriented is the government's ability to build understanding with all parties involved in decision making.
5. Equality and inclusiveness. Equality and inclusiveness is the government's ability to ensure that government policies and programs accommodate the needs of all groups in society, without discrimination or exclusion.
6. Effectiveness and efficiency. Effectiveness refers to the government's ability to achieve stated goals and targets by using available resources optimally.
7. Accountability. Accountability refers to the government's obligation to be responsible for the management of public resources and the results of its performance to the community.

The population used in this research were all executives related to the preparation of regional government financial reports in the Province/Regency/City in North Sumatra, consisting of the Heads of OPD, PPK OPD, and APIP, totaling 1242 people, consisting of:

1. Head of OPD: 414 people
2. PPK OPD: 414 people
3. APIP: 414 People

The sampling technique used in this research is the Slovin formula because in sampling, the number must be representative so that the research

results can be generalized. Slovin's formula for determining samples is as follows:

$$n = \frac{N}{1 + n e^2}$$

$$n = \frac{1242}{1 + 1242 (0,05)^2}$$

$$= \frac{1242}{1 + 1242 (0,0025)}$$

$$= 303$$

Executives related to the preparation of regional government financial reports in the Province/Regency/City in North Sumatra consisting of the Head of OPD, PPK OPD, and APIP are in several fields, so sampling was carried out using the "proportionate stratified random sampling" technique. (proportionally) with a sample size of 303 executives related to the preparation of regional government financial reports in the Province/Regency/City in North Sumatra consisting of the Head of OPD, PPK OPD, and APIP. Based on the overall sample, the number of samples for each Executive class strata related to the preparation of regional government financial reports in the Province/Regency/City in North Sumatra is then calculated, consisting of the Head of OPD, PPK OPD, and APIP with the following explanation:

$$\text{Head of OPD} = (414: 1242) \times 303 = 101$$

$$\text{PPK OPD} = (414: 1242) \times 303 = 101$$

$$\text{APIP} = (414: 1242) \times 303 = 101$$

Based on the results of proportional stratification sampling calculations, the number of executives involved in preparing regional government financial reports in the Province/Regency/City in North Sumatra, consisting of the Heads of OPD, PPK OPD, and APIP, is 303.

This research analyzes data using a partial least squares (PLS) approach. Partial least squares (PLS) analysis is a multivariate statistical technique that compares multiple dependent variables and multiple independent variables. PLS is one of the variance-based SEM statistical methods designed to complete multiple regression when specific problems occur in the data, such as small research sample sizes, missing data (missing values) and multicollinearity.

RESULTS AND DISCUSSION

The loading factor values for all variables in this research model have significant values, this can also be explained in the table as follows:

Table 1. Evaluation of Measurement Model

| Variables | Indicators | Loadings | Composite Reliability | AVE | Cross Loading |
|---------------------------------|------------|----------|-----------------------|-------|---------------|
| Internal Control Implementation | X1 | 0.847 | 0.918 | 0.691 | Yes |
| | X2 | 0.870 | | | |
| | X3 | 0.858 | | | |
| | X4 | 0.799 | | | |
| | X5 | 0.778 | | | |

| Variables | Indicators | Loadings | Composite Reliability | AVE | Cross Loading |
|----------------------------|------------|----------|-----------------------|-------|---------------|
| Public Service Quality | Z1 | 0.893 | 0.941 | 0.763 | Yes |
| | Z2 | 0.885 | | | |
| | Z3 | 0.877 | | | |
| | Z4 | 0.877 | | | |
| | Z5 | 0.833 | | | |
| Good Government Governance | Y1 | 0.552 | 0.902 | 0.572 | Yes |
| | Y2 | 0.722 | | | |
| | Y3 | 0.805 | | | |
| | Y4 | 0.776 | | | |
| | Y5 | 0.840 | | | |
| | Y1 | 0.786 | | | |
| | Y2 | 0.778 | | | |

Results of the evaluation of the measurement model used in the research, with a focus on the variables Internal Control Implementation, Public Financial Accounting, Value for Money Performance. Each variable is measured using several indicators, and evaluation involves loadings, composite reliability, AVE (Average Variance Extracted), and cross loading, with the following explanation:

1. Internal Control Implementation variable, the five indicators (X1 to X5) show quite high loadings, indicating that these indicators are effective in measuring internal control variables. Composite reliability and AVE also have quite high values, indicating the reliability and validity of this construct. Cross loading on all indicators shows a significant relationship with other constructs.
2. Public Service Quality shows good evaluation results with high loadings, composite reliability and AVE for all indicators. Cross loading also shows a strong relationship with other constructs.
3. Good Government Governance has seven indicators, and the evaluation results show adequate loadings, composite reliability and AVE. Cross loading on all indicators shows a significant relationship.

Table 2. Direct Effect and Indirect Effect

| Effect Between Variables | Original sample | T statistics | P values |
|--------------------------|-----------------|--------------|----------|
| ICI → PSQ | 0.242 | 4.076 | 0.000 |
| PSQ → GGG | 0.228 | 1.381 | 0.167 |
| ICI → PSQ → GGG | -0.075 | 0.559 | 0.576 |

The table shows the results of the analysis of direct and indirect influences between variables in the study using the SEM-PLS model. The variables observed are Internal Control Implementation (ICI), Public Service Quality (PSQ), and Good Governance (GGG).

1. **Effect** of Internal Control Implementation (ICI) on Public Service Quality (PSQ): The results of the analysis show that there is a significant direct effect of Internal Control Implementation (ICI) on Public Service Quality (PSQ) of 0.242. The high T statistics value (4.076) shows that this relationship is very statistically significant, with a very small p value (0.000), indicating that the effect of ICI on PSQ is unlikely to occur by chance.
2. The influence of Public Service Quality (PSQ) on Good **Governance** (GGG): The results of the analysis show that the direct influence of Public Service Quality (PSQ) on Good Governance (GGG) is 0.228. However, the low T statistics value (1.381) and the fairly high p value (0.167) indicate that this relationship is not statistically significant, so it cannot be concluded that PSQ directly influences GGG.
3. The Effect of Internal Control Implementation (ICI) on Public Service Quality (PSQ) Mediated by Good Governance (GGG): The results of the analysis show that the indirect effect of Internal Control Implementation (ICI) on Public Service Quality (PSQ) is mediated by Good Governance (GGG) is -0.075. The low T statistics value (0.559) and high p value (0.576) indicate that this relationship is not statistically significant. This indicates that the indirect effect of ICI on PSQ through GGG is not evident in this model.

The results of the analysis regarding the direct and indirect effects between variables in research using the SEM-PLS model have been presented. The variables studied include Internal Control Implementation (ICI), Public Service Quality (PSQ), and Good Governance (GGG). First, it was found that Internal Control Implementation (ICI) has a significant direct influence on Public Service Quality (PSQ). The results of the analysis show that this relationship is very statistically significant, with a high T statistics value and a very small p value. This shows that Internal Control Implementation (ICI) plays an important role in determining Public Service Quality (PSQ). Second, although Public Service Quality (PSQ) has a direct influence on Good Governance (GGG), the results of the analysis show that this relationship is not statistically significant. The low T statistics value and the fairly high p value indicate that there is not enough evidence to conclude that Public Service Quality (PSQ) directly influences Good Governance (GGG). Third, there is an indirect influence from Internal Control Implementation (ICI) on Public Service Quality (PSQ) which is mediated by Good Governance (GGG). However, the analysis results show that this relationship is not statistically significant. This shows that although Internal Control Implementation (ICI) can influence Public Service Quality (PSQ), its influence is not evident in this model when mediated by Good Governance (GGG).

CONCLUSION

From the results of the analysis using the SEM-PLS model, it can be concluded that Internal Control Implementation (ICI) has a significant direct influence on Public Service Quality (PSQ). This shows that increasing Internal Control Implementation can positively influence the Quality of Public Services.

However, although Public Service Quality has a direct influence on Good Governance (GGG), this relationship is not statistically proven. In addition, the indirect effect of Internal Control Implementation on Public Service Quality which is mediated by Good Governance is also not statistically significant. This research has several limitations. First, the data used may not include all factors that influence the relationship between the variables studied. Second, this research uses the SEM-PLS model which has certain assumptions, which may not always apply in the context of this research. In addition, limitations of the analysis method can also affect the validity of the results. The implication of these findings is the importance of increasing the Implementation of Internal Control in an effort to improve the Quality of Public Services. Although the direct influence of Public Service Quality on Good Governance is not proven in this research, this shows that improvements in Public Service Quality can have a positive impact on Good Governance in the long term. In addition, this conclusion also highlights the importance of further research to understand in more depth the relationships between the variables studied as well as other factors that may influence these relationships.

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