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THE INFLUENCE OF ACTIVITY PLANNING AND FINANCIAL MANAGEMENT POLICY IMPLEMENTATION ON BUDGET ABSORPTION EFFECTIVENESS THROUGH INTERNAL CONTROL AT THE MAKASSAR CITY LAND OFFICE

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Abstract

This study aims to analyze the influence of Activity Planning and Financial Management Policy Implementation on Budget Absorption Effectiveness through Internal Control at the Makassar City Land Office. The research is motivated by the importance of budget absorption effectiveness in realizing accountable public financial governance and the differences in research results regarding the factors that influence it. The study used a quantitative approach with a survey method. The study population was 180 employees, while a sample of 112 respondents was determined using the Slovin formula. Data collection was carried out through questionnaires, then analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS). The results showed that Activity Planning did not significantly influence Internal Control or Budget Absorption Effectiveness. Conversely, Financial Management Policy Implementation had a positive and significant effect on Internal Control and Budget Absorption Effectiveness. Internal Control also had a positive and significant effect on Budget Absorption Effectiveness. In addition, Internal Control was unable to mediate the effect of Activity Planning on Budget Absorption Effectiveness, but was able to mediate the effect of Financial Management Policy Implementation on Budget Absorption Effectiveness. This finding confirms that the effectiveness of budget absorption is more determined by the implementation of financial management policies supported by effective internal controls.

Keywords: Activity Planning; Implementation of Financial Management Policies; Internal Control; Effectiveness of Budget Absorption.

INTRODUCTION

Management is a process that includes planning, organizing, implementing, and controlling organizational resources to achieve goals effectively and efficiently. In public sector organizations, the management function is increasingly important because it is related to the management of state finances, which must meet the principles of accountability, transparency, effectiveness, and efficiency as part of efforts to realize good governance. Good public financial management is not only oriented towards compliance with regulations, but also on the organization's ability to generate benefits for the community through optimal budget use (Mardiasmo, 2018). In this context, the budget functions as an instrument for planning, controlling, coordinating, and evaluating organizational performance, so that each stage of its management must be implemented in an integrated manner (Sinuhaji & Nasution, 2023).

One indicator of successful public sector financial management is the effectiveness of budget absorption. Budget absorption demonstrates an organization's ability to implement programs and activities according to planned targets. The higher the level of budget absorption, accompanied by the achievement of outputs and outcomes, the better the quality of the organization's financial management. Conversely, low budget realization often indicates weaknesses in the planning, program implementation, coordination, and internal control processes (World Bank, 2012). Recent research also shows that the effectiveness of budget absorption is influenced by various managerial factors, including planning quality, internal control systems, budget management, and organizational capacity (Anggeadi et al., 2023; Aryani et al., 2024; Ningrat, 2025).

The Makassar City Land Office, as a vertical agency under the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency, is responsible for implementing land services and managing the state budget in an accountable manner. Various strategic programs, such as land certification services, digitizing land services, procuring supporting facilities, and providing land administration services, require appropriate budget management to achieve organizational targets. Therefore, effective budget absorption is a key indicator in assessing the success of the agency's financial management.

The effectiveness of budget absorption is influenced by several important factors. The first factor is activity planning, namely the process of systematically developing work programs, setting priorities, implementing schedules, and identifying resource requirements before budget preparation. Thorough activity planning will result in a more realistic budget plan, thereby minimizing budget revisions and delays in program implementation (Batubara, 2022; Uledi & Chachage, 2023). Research by Panggalo et al. (2025) shows that poor quality activity planning leads to delays in program implementation, which in turn impacts low budget absorption.

The next factor is the implementation of financial management policies. Policy implementation is an operational process that determines the success of implementing regulations in organizational activities. Effective implementation requires inter-unit coordination, human resource competency, organizational support, and adherence to established procedures (Hendra & Fahlevi, 2024; Omamo, 2025). In the context of government financial management, sound policy implementation will accelerate activity implementation, streamline the procurement process for goods and services, and improve the quality of budget realization (Kuntadi & Nugroho, 2023).

Internal control plays a strategic role in ensuring that all financial management processes comply with regulations. The Government Internal Control System (SPIP) serves to improve operational effectiveness, ensure the reliability of financial reports, maintain regulatory compliance, and minimize the risk of irregularities (BPKP, 2019). Research by Anggeadi et al. (2023) demonstrated that SPIP implementation has a positive effect on budget absorption, while Sutono et al. (2022) explained that internal control can strengthen the relationship between planning and implementation processes and organizational performance. Therefore, internal control is considered a suitable mediating variable in this study.

Based on an initial survey conducted at the Makassar City Land Office, data showed that budget absorption realization over the past three years showed excellent performance. In 2023, budget realization reached 98.55%, increasing to 99.12% in 2024, and increasing again to 99.41% in 2025.

This percentage indicates that the agency was able to realize almost the entire allocated budget, thus being included in the very effective category. This condition differs from various research results on other government agencies that still face low budget absorption due to weak planning, administrative delays, poor coordination, and suboptimal internal controls (Panggalo et al., 2025).

This phenomenon is interesting to study because, despite the national challenge of budget absorption for many government agencies, the Makassar City Land Office has managed to maintain a very high budget absorption rate. This raises questions about the factors supporting this success, particularly regarding the quality of activity planning, implementation of financial management policies, and the effectiveness of internal controls in supporting budget performance.

Based on this phenomenon, there are still several scientific problems that need to be studied, namely that there is not much research that places activity planning as the initial stage in preparing a budget, there is still limited research that links the implementation of financial management policies. with the effectiveness of budget absorption simultaneously, and the suboptimal study of internal control as a mediating variable in the relationship between the two variables on the effectiveness of budget absorption. Therefore, research on the influence of activity planning and implementation of financial management policies on the effectiveness of budget absorption through internal control at the Makassar City Land Office is expected to provide theoretical contributions in the development of public sector financial management as well as provide practical input for government agencies in maintaining and improving the quality of budget management.

Various studies have shown that the effectiveness of budget absorption is influenced by the quality of planning, policy implementation, and internal control. Anggeadi et al. (2023) and Aryani et al. (2024) demonstrated that internal control systems, budget management, and human resource quality improve budget absorption. Erliyani and Sulastiningsih (2023) and Setiawan et al. (2023) added that regulations, budget implementation, SIPD, and SPIP significantly influence budget realization. Renyaan et al. (2025) found that SPIP influences budget planning both directly and through internal control. However, research integrating activity planning, financial management policy implementation, and internal control as mediating variables is still limited.

Although various studies have shown that budget planning, policy implementation, and internal control systems influence the effectiveness of budget absorption, research gaps remain. Most studies focus on budget planning rather than activity planning, and examine the direct relationship between variables. Research that positions internal control as a mediating variable between activity planning, financial management policy implementation, and budget absorption effectiveness in vertical government agencies is still limited.

The novelty of this research lies in its conceptual model, which integrates activity planning and implementation of financial management policies with internal control as a mediating variable for budget absorption effectiveness. Furthermore, the research was conducted at the Makassar City Land

Office, which had a high budget absorption rate during 2023–2025, thus identifying factors that support and maintain budget absorption effectiveness in public sector organizations.

LITERATURE REVIEW

Systems Theory

Systems theory views an organization as a unit consisting of various components that interact with each other to achieve organizational goals. Each element, from the planning process, policy implementation, control, to evaluation, is part of a system that influences each other so that the organization's success is determined by the integration of all these components. In public sector financial management, the effectiveness of budget absorption is the output resulting from the synergy between activity planning, implementation of financial management policies, and internal control as a feedback mechanism to maintain organizational effectiveness (Bertalanffy, 1968; Katz & Kahn, 1970).

Activity Planning

Activity planning is a systematic process of developing work programs, determining priorities, establishing implementation schedules, and allocating the resources needed to achieve organizational goals. In the public sector, activity planning serves as the foundation for budgeting because it determines the alignment between organizational needs and available resource allocation. Planning that is realistic, measurable, and data-driven will minimize budget revisions and improve program implementation, thereby supporting effective budget absorption and achieving organizational performance targets (Bryson, 2018; Mardiasmo, 2018).

Implementation of Financial Management Policy

Financial management policy implementation is the process of implementing financial policies through budget execution, resource management, regulatory compliance, and coordination between work units to achieve organizational goals. Successful implementation is influenced not only by policy clarity but also by communication, human resource capacity, work systems, and organizational structure. Effective implementation will accelerate program implementation, improve the quality of budget management, and strengthen accountability and transparency in public sector financial management (Edwards, 1980; Andrews et al., 2016).

Internal Control

Internal control is a process designed to provide reasonable assurance that organizational objectives can be achieved through operational effectiveness, reliable financial reporting, asset protection, and regulatory compliance. In government organizations, internal control is implemented through the Government Internal Control System (SPIP), which encompasses the control environment, risk assessment, control activities, information and communication, and monitoring. The effective implementation of internal control can minimize the risk of irregularities, improve the quality of financial management, and support effective budget absorption (COSO, 2013; BPKP, 2019).

Thinking Framework

The framework for this research is based on Systems Theory, which views organizations as systems with components that interact with each other to achieve goals. Activity planning plays a role asinputwhich determines the direction and priorities of the program, while the implementation of financial management policies isprocessBudget implementation. Internal control serves as a monitoring mechanism to ensure effective, efficient, transparent, and accountable financial management. The synergy of these three components is expected to result in effective budget absorption as a result.outputThis study assumes that activity planning and policy implementation have a direct and indirect effect on the effectiveness of budget absorption through internal control as a mediating variable, thus being able to comprehensively explain the causal relationship between variables at the Makassar City Land Office.

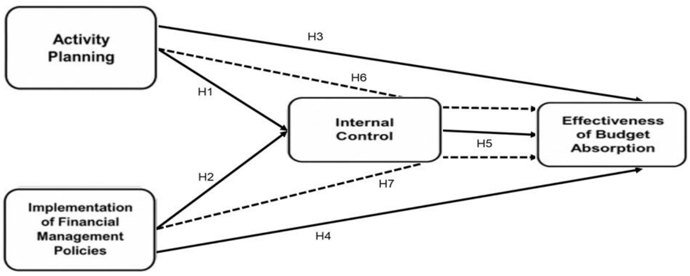

Figure 1 Thinking Framework

METHOD

This research uses a quantitative approach as a scientific method to systematically obtain data to answer the problem formulation and test the hypothesis. The method was chosen based on the research objectives, variable characteristics, and analysis techniques to produce valid and reliable findings. The analysis was conducted using Structural Equation Modeling-Partial Least Squares (SEM-PLS). (Hair et al., 2022; Sugiyono, 2022).

Types and Approaches of Research

This research uses a quantitative approach with the type study Associative (explanatory research). A quantitative approach is used because the research aims to test the causal relationship between the Activity Planning variables (X_1) And The Implementation of Financial Management Policy (X_2) on Budget Absorption Effectiveness (Y) through Internal Control (Z) as a mediating variable. Associative research was chosen because it is able to explain the magnitude of the influence between variables through hypothesis testing using inferential statistical analysis (Sugiyono, 2022; Hair et al., 2022).

Location and Time of Research

This research was conducted at the Makassar City Land Office, South Sulawesi. This location was chosen because it is a government agency responsible for state financial management and has demonstrated highly effective budget absorption over the past three years, making it relevant for examining factors influencing budget absorption effectiveness. The research took place from November to December 2025, encompassing the development of research instruments, data collection, questionnaire distribution, data processing, and analysis of the results.

Population and Sample

The population in this study was all 154 employees of the Makassar City Land Office. Considering that not all employees are directly involved in the budget management process, the sampling technique used purposive sampling with the criteria of employees involved in activity planning, financial management, program implementation, and internal control. Based on calculations using the Slovin formula with a 5.8% error rate, a sample size of 112 respondents was obtained, which is considered to meet the minimum size for SEM-PLS analysis (Hair et al., 2022; Sugiyono, 2022).

Types, Sources, and Data Collection Techniques

The type of data used is quantitative, in the form of scores from measuring respondents' perceptions of the research variables. The data sources consist of primary data obtained through questionnaires distributed to respondents, as well as secondary data derived from budget absorption realization documents, financial reports, and other supporting documents at the Makassar City Land Office. Data collection techniques were conducted using questionnaires. documentation, and observation. The research instrument used a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), thus facilitating the quantitative measurement of respondents' perceptions (Sugiyono, 2022).

Data Analysis Techniques

Data analysis was conducted using Structural Equation Modeling-Partial Least Squares (SEM-PLS) with the help of SmartPLS 4 software. SEM-PLS was selected based on its ability to analyze complex models, test direct and indirect relationships, and does not require strict normal data distribution. The analysis was conducted in two stages, namely evaluation of the measurement model (Outer Model) and evaluation of the structural model (Inner Model). The Outer Model was used to test convergent validity, discriminant validity, and construct reliability through the Outer Loading value**.,** Average Variance Extracted (AVE), Cronbach's Alpha, and Composite Reliability. Next, the Inner Model is used to evaluate the R^2 value, Q^2 Predictive Relevance, Path Coefficient, and hypothesis testing through the Bootstrapping procedure. The hypothesis is accepted if the t-statistic value is > 1.96. and p-value < 0.05, so the relationship between variables can be declared significant (Hair et al., 2022; Sholihin & Ratmono, 2021).

RESEARCH RESULTS AND DISCUSSION

Research result

The research results are presented based on data analysis using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS 3.0. The analysis includes evaluation of the outer model, inner model, and hypothesis testing. These stages ensure the model has sufficient validity, reliability, and predictive power so that the relationships between variables can be interpreted accurately.

Evaluation of Measurement Model (Outer Model)

Evaluation of measurement models (*outer model*) was conducted to determine the extent to which the indicators used were able to measure the latent construct accurately and consistently. This test included convergent validity, discriminant validity, and reliability. The results of the SmartPLS algorithm test are shown in the following figure.

Convergent Validity

Convergent validity aims to determine the ability of an indicator to explain the construct being measured. Testing is carried out using the value outer loading, where the indicator is declared valid if it has a value greater than 0,70.

Table 1. Convergent Validity Test Results Based on Outer Loading

Indicator	X1	X2	Y	Z
X1.1	0.902			
X1.2	0.921			
X1.3	0.878			
X1.4	0.950			
X1.5	0.899			
X2.1		0.835		
X2.2		0.935		
X2.3		0.928		
X2.4		0.928		
Y1			0.873	
Y2			0.939	
Y3			0.936	
Y4			0.952	

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Y5			0.933	
Z1				0.908
Z2				0.891
Z3				0.919
Z4				0.899
Z5				0.901

Source: Data processed using SmartPLS 3.0.

Based on the table above, it can be seen that all research indicators have outer loading values above 0.70, ranging from 0.835 to 0.952. The highest loading value is found in indicator Y4. The highest value was 0.952, while the lowest value was found in indicator X2.1 at 0.835. This condition indicates that all indicators have excellent ability to explain their respective latent constructs. Thus, all statement items used in the study have met the requirements of convergent validity, so that no indicators need to be eliminated and all indicators are suitable for use in the next stage of analysis.

Convergent validity testing is also carried out through Average Variance Extracted (AVE).

Table 2. Convergent Validity Test Results Based on AVE

Variables	Code	AVE
Activity Planning	X1	0.828
Implementation of Financial Management Policy	X2	0.823
Budget Absorption Effectiveness	AND	0.859
Internal Control	WITH	0.816

Source: Data processed using SmartPLS 3.0.

The test results in the table above show that all constructs have an Average Variance Extracted (AVE) value greater than 0.50, namely Activity Planning of 0.828, Implementation of Financial Management Policy of 0.823, Budget Absorption Effectiveness of 0.859, and Internal Control of 0.816. These values indicate that each construct is able to explain more than 50% of the variation in its constituent indicators. Thus, all research variables have met the criteria of convergent validity, so that the constructs used are declared to have very good validity and are suitable for use in testing the structural model (*inner model*).

Discriminant Validity

Discriminant validity aims to ensure that each construct has distinct characteristics from other constructs, ensuring that the indicators used truly represent the measured variables. In this study, discriminant validity testing was conducted using two approaches: the Fornell-Larcker Criterion and Cross-Loading. A construct is considered to have met discriminant validity if its square root of AVE is greater than the correlation between other constructs, and each indicator has the highest loading value on the construct it measures.

Table 3. Results of Discriminant Validity Testing Based on the Fornell-Larcker Criterion

Variables	X1	X2	Y	Z
Activity Planning (X1)	**0.910**			
Implementation of Financial Management Policy (X2)	0.740	**0.907**		
Budget Absorption Effectiveness (Y)	0.669	0.862	**0.927**	

Internal Control (Z)	0.723	0.861	0.880	**0.904**

Source: Data processed using SmartPLS 3.0.

Based on the table above, it is known that the square root of the AVE value for each construct is greater than its correlation value with other constructs. The Activity Planning variable has a value of 0.910, Financial Management Policy Implementation is 0.907, Budget Absorption Effectiveness is 0.927, and Internal Control is 0.904. These results indicate that each construct has a better ability to explain its own indicators compared to indicators in other constructs. Thus, the research model has met the requirements of discriminant validity based on the Fornell-Larcker Criterion approach.

Further discriminant validity testing was carried out using Cross Loading This test aims to ensure that each indicator has the highest correlation value to the construct it measures compared to other constructs.

Table 4. Results of Discriminant Validity Testing Based on Cross Loading

Indicator	X1	X2	Y	Z
X1.1	**0.902**	0.731	0.620	0.690
X1.2	**0.921**	0.637	0.598	0.639
X1.3	**0.878**	0.613	0.567	0.617
X1.4	**0.950**	0.680	0.634	0.664
X1.5	**0.899**	0.699	0.621	0.675
X2.1	0.519	**0.835**	0.715	0.703
X2.2	0.701	**0.935**	0.801	0.816
X2.3	0.677	**0.928**	0.791	0.781
X2.4	0.773	**0.928**	0.819	0.818
Y1	0.558	0.722	**0.873**	0.777
Y2	0.613	0.810	**0.939**	0.792
Y3	0.630	0.785	**0.936**	0.819
Y4	0.671	0.852	**0.952**	0.865
Y5	0.624	0.821	**0.933**	0.824
Z1	0.616	0.798	0.827	**0.908**
Z2	0.587	0.734	0.802	**0.891**
Z3	0.675	0.779	0.845	**0.919**
Z4	0.703	0.797	0.738	**0.899**
Z5	0.685	0.781	0.763	**0.901**

Source: Data processed using SmartPLS 3.0.

The results of the Cross Loading test in the table above show that all indicators have the highest loading values on the constructs they measure compared to the loading values on other constructs. For example, indicator X1.4 has a loading value of 0.950 on the Activity Planning variable, much higher than its correlation with the Implementation of Financial Management Policies (0.680), Budget Absorption Effectiveness (0.634), and Internal Control (0.664). The same pattern is also shown by all indicators on other variables. Thus, all indicators are able to distinguish the constructs they measure accurately, so that the measurement model meets the discriminant validity criteria based on the Cross Loading method.

Reliability

Reliability testing was conducted to determine the level of internal consistency of the indicators in measuring the research constructs. High reliability indicates that the indicators comprising the variables are capable of producing stable and consistent measurement results. In this study, reliability testing was conducted using Cronbach's Alpha values., rho_A, and Composite Reliability. A construct is declared reliable if it has a value greater than 0.70.

Table 4. Results of Construct Reliability Testing

Variables	Cronbach's Alpha	rho_A	Composite Reliability
Activity Planning (X1)	0.948	0.949	0.960
Implementation of Financial Management Policy (X2)	0.928	0.932	0.949
Budget Absorption Effectiveness (Y)	0.959	0.961	0.968
Internal Control (Z)	0.944	0.944	0.957

Source: Data processed using SmartPLS 3.0.

Based on the test results in the table above, it is known that all constructs have a Cronbach's Alpha value., rho_A, and Composite Reliability above 0.70. Cronbach's Alpha values range from 0.928–0.959, while Composite Reliability is in the range of 0.949–0.968. The Budget Absorption Effectiveness variable has the highest level of reliability with a Cronbach's Alpha value of 0.959 and a Composite Reliability of 0.968. These results indicate that all constructs have a very high level of internal consistency so that the research instrument is declared reliable. By fulfilling the validity and reliability tests, the measurement model (*outer model*) has fulfilled all the requirements of SEM-PLS analysis and is worthy of continuing to the evaluation of the structural model (*inner model*).

Structural Model Evaluation (*Inner Model*)

Evaluation of structural models (*inner model*) is carried out after all indicators are declared to meet the validity and reliability requirements in the test.*outer model*This stage aims to measure the model's ability to explain causal relationships between latent constructs that have been formulated in the research conceptual framework. Analysis*inner model*This research includes testing the coefficient of determination (R^2), predictive relevance (Q^2), and hypothesis testing using the method*bootstrapping*using the SmartPLS version 3.0 application. The results of this test serve as the basis for explaining the magnitude of the influence of the variables Activity Planning, Implementation of Financial Management Policies, and Internal Control on the Effectiveness of Budget Absorption at the Makassar City Land Office.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) is used to determine the ability of exogenous variables to explain the variation of endogenous variables in a research model. The higher the R^2 value, the greater the model's ability to explain the phenomenon being studied. According to Ghozali and Latan (2015), an R^2 value of 0.67 is categorized as strong, 0.33 as moderate, and 0.19 as weak.

Table 5. Results of the Determination Coefficient (R^2) Test

Endogenous Variables	R Square	R Square Adjusted
Internal Control (Z)	0.757	0.753
Budget Absorption Effectiveness (Y)	0.818	0.813

Source: Data processed using SmartPLS 3.0.

Based on the table above, the R^2 value for Internal Control is 0.757, meaning that 75.7% of the variation in Internal Control can be explained by the Activity Planning and Financial Management Policy Implementation variables. The remaining 24.3% is explained by other variables outside the research model. This value is considered strong, indicating that both independent variables have a high ability to explain variation in Internal Control.

Furthermore, the R^2 value for Budget Absorption Effectiveness is 0.818, indicating that 81.8% of the variation in Budget Absorption Effectiveness can be explained by Activity Planning, Financial Management Policy Implementation, and Internal Control. Meanwhile, the remaining 18.2% is influenced by other factors not included in the research model. This value falls into the category very strong, so it can be concluded that the structural model has very good explanatory capabilities for the dependent variable.

Predictive Relevance (Q^2)

Model quality is also evaluated through Predictive Relevance (Q^2) using the Blindfolding procedure in SmartPLS. The Q^2 value is used to measure the model's predictive ability regarding observed data. According to Ghozali (2014), a model is said to have good predictive ability if the Q^2 value is greater than zero ($Q^2 > 0$).

Table 6. Predictive Relevance (Q^2) Test Results

Variables	SSO	SSE	Q^2 (=1-SSE/SSO)
Activity Planning (X1)	560.000	560.000	-
Implementation of Financial Management Policy (X2)	448.000	448.000	-
Budget Absorption Effectiveness (Y)	560.000	193.252	0.655
Internal Control (Z)	560.000	242.141	0.568

Source: Data processed using SmartPLS 3.0.

The test results show a Q^2 value of Internal Control of 0.568 and Budget Absorption Effectiveness of 0.655. Both values exceed 0.35, thus indicating a high predictive capability of the model (*large predictive relevance*). Activity Planning and Financial Management Policy Implementation were able to predict Internal Control well, while the three variables were able to accurately predict Budget Absorption Effectiveness. Supported by a good R^2 value, the model was declared valid, had strong explanatory power and predictive power, and was worthy of being continued to hypothesis testing through bootstrapping analysis.

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Hypothesis Testing

Once the structural model is deemed to meet the eligibility criteria, the next stage is hypothesis testing. Testing is conducted using the Bootstrapping procedure in SmartPLS to determine the significance of the direct and indirect influences between the research variables. Acceptance or rejection of the hypothesis is determined based on the path coefficient value., t-statistics, and p-values. The hypothesis is accepted if the t-statistics value is > 1.66 and p-values < 0.05 at a significance level of 5%.

Direct Effect Test

Direct influence testing (*direct effect*) was conducted to determine the direct relationship between variables in the research model, namely the influence of Activity Planning (X1) and Implementation of Financial Management Policies (X2) on Internal Control (Z), as well as the influence of Activity Planning (X1), Implementation of Financial Management Policies (X2), and Internal Control (Z) on Budget Absorption Effectiveness (Y). The test was conducted using the procedure Bootstrapping on SmartPLS version 3.0 with a significance level of 5% (*one-tailed test*), so that the hypothesis is declared accepted if it has a t-statistics value > 1.66 And p-values < 0,05.

Table 7. Results of the Direct Effect Test

Relationship between variables	Original Sample	Sample Mean	STDEV	T Statistics	P Values
X1 → Z	0.190	0.209	0.164	1.156	0.248
X2 → Z	0.720	0.688	0.136	5.293	0.000
X1 → Y	-0.035	-0.019	0.115	0.306	0.760
X2 → Y	0.419	0.413	0.136	3.074	0.002
Z → Y	0.545	0.524	0.142	3.841	0.000

Source: Data processed using SmartPLS 3.0.

Based on the table above, it can be seen that of the five direct relationships tested, three had a positive and significant effect, while the other two were insignificant. The Implementation of Financial Management Policies proved to have the greatest effect on Internal Control with a path coefficient of 0.720, while Internal Control also had a positive effect on Budget Absorption Effectiveness of 0.545. Conversely, Activity Planning has not shown a significant effect on either Internal Control or Budget Absorption Effectiveness.

Indirect Effect Test

This study also tested the indirect effect (*indirect effect*) to determine whether Internal Control is able to act as a mediating variable in the relationship between Activity Planning and Implementation of Financial Management Policies on Budget Absorption Effectiveness. The test was conducted using the Specific Indirect Effect procedure in SmartPLS with a significance level of 5%.

Table 8 Results of the Indirect Effect Test

Relationship between	Original	Sample	STDEV	T Statistics	P Values

variables	Sample	Mean			
X1 → Z → Y	0.103	0.104	0.086	1.197	0.232
X2 → Z → Y	0.393	0.364	0.132	2.973	0.003

Source: Data processed using SmartPLS 3.0.

Based on the table above, it is known that only one mediation pathway proved significant. Internal Control was unable to mediate the relationship between Activity Planning and Budget Absorption Effectiveness, while Internal Control was able to significantly mediate the relationship between Financial Management Policy Implementation and Budget Absorption Effectiveness. This finding indicates that the successful implementation of financial policies will further increase the effectiveness of budget absorption if supported by an effective internal control system.

Discussion

Research discussion interprets the results of the analysis SEM-PLS regarding the relationship between Activity Planning, Financial Management Policy Implementation, Internal Control, and Budget Absorption Effectiveness. The test results are compared with theory and previous research to explain the direct and indirect influences, including the mediating role of internal control, on budget absorption effectiveness.

The Influence of Activity Planning on Internal Control

The results of the study show that Activity Planning has a path coefficient of 0.190, but does not have a significant effect on Internal Control because the value*t-statistics*of 1.156 and*p-values*of 0.248. Thus, the first hypothesis is rejected. This finding indicates that the quality of activity planning at the Makassar City Land Office does not directly determine the effectiveness of internal control. This condition indicates that the internal control system is more influenced by the consistency of procedure implementation, compliance with regulations, effective supervision, and leadership commitment to ensuring all organizational activities run according to applicable regulations.

Theoretically, internal control is a system designed to provide reasonable assurance that organizational objectives will be achieved through operational effectiveness, reporting reliability, and regulatory compliance (COSO, 2013). Therefore, the quality of planning documents is insufficient to strengthen internal control without consistent implementation. This finding differs from Kalimantari et al. (2025) who stated that planning quality influences internal control effectiveness, but is in line with Bariun (2026) who emphasized that the success of SPIP is determined more by the implementation of supervision, a culture of compliance, and ongoing monitoring than by the quality of activity planning.

The Impact of Financial Management Policy Implementation on Internal Control

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The results of the study show that the Implementation of Financial Management Policy has a positive and significant effect on Internal Control with a path coefficient of 0.720, a value of*t-statistics*5,293, and*p-values*0.000. These results demonstrate that the better the implementation of financial management policies at the Makassar City Land Office, the more effective the organization's internal control system. Implementing policies in accordance with regulations can improve administrative compliance, clarify oversight mechanisms, strengthen coordination between work units, and reduce the potential for errors and irregularities in financial management.

Policy implementation is the process of translating regulations into operational actions through coordination, communication, resource provision, and adherence to organizational procedures (Omamo, 2025). Effective implementation will strengthen internal control because all financial activities are carried out based on clear and accountable operational standards. The results of this study align with Kalimantari et al. (2025) who stated that good financial management practices strengthen SPIP, and are supported by Hendra and Fahlevi (2024) who explain that the success of public policy implementation is influenced by coordination, compliance, and consistency of policy implementation.

The Influence of Activity Planning on the Effectiveness of Budget Absorption

The results of the study indicate that Activity Planning does not significantly influence Budget Absorption Effectiveness. This is indicated by a path coefficient value of -0.035.*t-statistics*of 0.306, and*p-values*of 0.760, thus rejecting the third hypothesis. This finding indicates that the quality of activity planning is not yet a primary factor determining the effectiveness of budget absorption at the Makassar City Land Office. Successful budget realization is more influenced by the organization's ability to implement programs, manage coordination, and resolve various technical obstacles during activity implementation.

This condition is understandable because the Makassar City Land Office's budget realization rate over the past three years has reached more than 98%, resulting in relatively homogeneous planning quality. Consequently, planning variation is no longer a differentiating factor in determining the effectiveness of budget absorption. The results of this study are inconsistent with Panggalo et al. (2025) who found that activity planning has a positive effect on budget absorption, but also differ from Adhi et al. (2019) who stated that weak planning leads to low budget realization in government agencies.

The Impact of Financial Management Policy Implementation on Budget Absorption Effectiveness

The results of the study show that the Implementation of Financial Management Policies has a positive and significant effect on the Effectiveness of Budget Absorption with a path coefficient of 0.419, a value of*t-statistics*amounting to 3,074, and*p-values*of 0.002. These findings indicate that the better the implementation of financial management policies, the higher the effectiveness of budget absorption at the Makassar City Land Office. Policy implementation that complies with regulations can accelerate program implementation, streamline administrative processes, and improve the timeliness of budget realization.

The implementation of effective financial management policies creates procedural certainty, strengthens coordination between work units, and minimizes administrative obstacles in activity implementation. This allows all programs to be implemented on schedule, thus optimizing budget realization. The results of this study align with Kuntadi and Nugroho (2023), who stated that the implementation of financial management policies is a crucial factor in increasing government budget absorption. These findings are also supported by Setiawan et al. (2023), who demonstrated that the implementation of regional financial regulations significantly influences the budget absorption rate of regional apparatus organizations.

The Influence of Internal Control on the Effectiveness of Budget Absorption

The results of the study show that Internal Control has a positive and significant effect on Budget Absorption Effectiveness with a path coefficient value of 0.545.*t-statistics*amounting to 3,841, and*p-values*of 0.000. Thus, the fifth hypothesis is accepted. This finding indicates that the more effective the implementation of internal controls, the higher the effectiveness of budget absorption at the Makassar City Land Office. A sound internal control system can ensure that all stages of budget implementation are carried out according to procedures and minimize the potential for deviations.

From the perspective of SPIP, internal control is a process designed to ensure operational effectiveness, reliable financial reporting, asset security, and regulatory compliance (BPKP, 2019). Internal control also functions as a monitoring and evaluation mechanism to ensure activity implementation remains on track. The results of this study align with Anggeadi et al. (2023) who stated that SPIP implementation increases government budget absorption, and are supported by Aryani et al. (2024) who found that internal control can improve budget management effectiveness through monitoring and controlling program implementation.

The Influence of Activity Planning on the Effectiveness of Budget Absorption through Internal Control

The test results indicate that Internal Control is unable to mediate the influence of Activity Planning on Budget Absorption Effectiveness. This is indicated by the indirect influence coefficient value of 0.103.*t-statistics*of 1,197, and*p-values*of 0.232, thus rejecting the sixth hypothesis. This finding indicates that the existence of internal control has not been able to strengthen the relationship between activity planning and the effectiveness of budget absorption at the Makassar City Land Office.

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This phenomenon indicates that activity planning in organizations with established work systems tends to be routine and standardized, resulting in relatively little variation. Consequently, internal control plays a greater role in overseeing activity implementation than in improving the quality of previously prepared plans. This finding differs from Sutono et al. (2022), who stated that internal control strengthens the relationship between planning and budget absorption, but aligns with Renyaan et al. (2025), who showed that the mediating function of SPIP is not always significant when the quality of organizational planning is already relatively high and homogeneous.

The Influence of Financial Management Policy Implementation on Budget Absorption Effectiveness through Internal Control

The results of the study indicate that Internal Control is able to positively and significantly mediate the effect of Financial Management Policy Implementation on Budget Absorption Effectiveness. The indirect effect coefficient value is 0.393.*t-statistics*of 2,973, and*p-values*A value of 0.003 indicates that the seventh hypothesis is accepted. These results demonstrate that the implementation of financial management policies will be more effective in increasing budget absorption if supported by an optimally operating internal control system.

From a policy implementation perspective, the success of a policy is influenced not only by the quality of regulations but also by the effectiveness of organizational oversight, coordination, and evaluation (Hupe & Hill, 2014). Internal control is a mechanism that ensures policy implementation runs according to operational standards, thereby increasing the effectiveness of budget management. This finding aligns with Renyaan et al. (2025) who demonstrated that SPIP mediates the implementation of financial management on budget absorption, and is reinforced by Anggeadi et al. (2023) who explained that strengthening internal control increases the success of budget implementation by increasing compliance and monitoring effectiveness.

CONCLUSION

Based on the results of data analysis and hypothesis testing, several important findings were obtained that explain the relationships between variables in this study. In general, the results indicate that the effectiveness of budget absorption is more influenced by the quality of financial management policy implementation and the effectiveness of internal controls than by the quality of activity planning. These findings illustrate that successful budget management is determined not only by sound planning, but primarily by consistent policy implementation and effective oversight mechanisms.

The results of the study indicate that Activity Planning does not have a significant impact on either Internal Control or Budget Absorption Effectiveness. Furthermore, Internal Control is also unable to mediate the relationship between Activity Planning and Budget Absorption Effectiveness. This finding indicates that at the Makassar City Land Office, which has a very high budget absorption rate and an established planning system, the quality of activity planning is no longer the dominant factor in determining the success of budget realization. Budget absorption effectiveness is more influenced by the organization's ability to implement programs consistently, resolve operational obstacles, and maintain compliance with applicable procedures.

The implementation of Financial Management Policy has been proven to have a positive and significant effect on Internal Control and Budget Absorption Effectiveness. Internal Control has also been proven to have a positive and significant effect on Budget Absorption Effectiveness and is able to mediate the influence of Financial Management Policy Implementation on Budget Absorption Effectiveness. These results confirm that the success of maintaining a budget realization rate of more than 99% at the Makassar City Land Office is strongly supported by the implementation of financial management policies that run according to regulations, supported by an effective internal control system, so as to increase accountability, efficiency, accuracy of program implementation, and realize transparent public financial management that is oriented towards achieving organizational performance.

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