

Quality Perception of Financial Statements Institution of High Judgement Court in Central Sulawesi

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ABSTRACT

The competence of accounting and reporting Department is very influential for the quality of financial statements. The quality depends on the ability of a person or individual or a system to carry out functions or authorities for the effective and efficient objective completion. Competence must be seen as the ability to achieve performance to produce outputs and outcomes, i.e. relevant, reliable, comparable, and understandable financial statements.

The quality of financial statements prepared by Central Sulawesi Religious High Court is influenced by a number of factors related to the perception of competence by accrual-based accounting and reporting department. Therefore, this study deeply analyzes the effect of competence perception of accrual-based accounting and reporting department on the quality of financial statements and the effect of accrual-based accounting and reporting on the quality of financial statements prepared by Palu Religious High Court. The respondents of this study are 76 financial department employees, who are expected to be able to answer questions relating to the perception of quality on accrual-based accounting and reporting. The data was analyzed using multiple regression in SPSS for Windows. Descriptive statistics were also used to describe the research data.

The descriptive analysis found that the Central Sulawesi Religious High Court consists of 19 work units, the perception of which regarding competence of accounting and accrual-based reporting departments was assessed. Based on the regression analysis, this study finds that the perception of competence of Accounting Department partially affect the quality of financial statements prepared by Palu Religious High Court.

Keywords: *competence, quality, agency*

1. INTRODUCTION

Indonesian government has made efforts to gradually increase transparency and accountability in the management of state finances. The management must comply with applicable laws and regulations. Palu Religious High Court as a Work Unit (Satker) and a Regional Coordinator (Korwil) is a government agency under the auspices of the Supreme Court of the Republic of Indonesia. It applies Accrual-based Accounting System (SAIBA). The financial statements that must be prepared by the work unit and the regional coordinator must include Balance Sheet, Budget Realization Report (LRA), Operational Report (LO), Equity Change Report (LPE), Income Report, and Notes to Financial Statements (CaLK). The previously used accounting system, the cash-based, was replaced with accrual-based system. The coordinator of Palu Religious High Court technically applied the compilation of financial statements, and the application was based on the new regulations issued by the government, especially those regarding the presentation of accrual-based reports, under the mandate of the current legislation. Palu High Court has 19 work units spread in Central Sulawesi.

The financial report of the Indonesian Supreme Court received six consecutive unqualified opinions from the Supreme Audit Board (BPK). The success in applying the accrual-based accounting is still set aside. Several problems in the financial statements of Palu Religious High Court must be solved in order to maintain the opinion. The problems are imbalances in employee expenditure, goods expenditure, and capital expenditure in the work unit. They occur due to outdated input and errors in SAS and SAIBA data input. Incorrect refunds of employee expenditure and goods expenditure degrades the accounting quality. Unregistered asset account in the unit also appeared, caused by mistakes in allocating money for the purchase of anti-virus, server, additional power supply, and other acquisitions. Inappropriate adjustments by the unit was the cause. Therefore, the report must be reviewed and conducted manual journal must be made. There are non-tax state revenues that were not relevant with the duties and functions of the court, including unauthorized account closing income and grant income, so they needed improvements or adequate explanation. Disallowed purchases were also found; they are service and demand deposits, spare parts inventory, excise tape, stamp duty, and raw material inventory, not to mention inappropriate use of goods codes. Direct grants that have not been authorized at

the end of the year were also found, requiring adequate explanations in terms of their accrual-based transactions. Other problems include mistakenly charged accounts and incorrect 2017 LO expenses for accrual transactions.

Financial reporting requires full disclosure; it presents complete information on all resources controlled by Palu Religious High Court. Policies that have been made and implemented in solving technical problems and final steps to protect the report from non-technical problems are needed as a commitment to maintain the unqualified opinion.

The problems above must be solved. The failure to address them will certainly reduce the quality of the financial statements of Indonesian Supreme Court.

The preparation of the accrual-based reporting of Palu Religious High Court was assisted by the Central Accounting officer (MA-RI Financial Bureau) as the Regional Coordinator Advisor. Furthermore, the preparation of the work units' financial statements was assisted by the Regional Coordinator as the unit coordinator for Palu Religious High Court. It is because the financial report of Indonesian Supreme Court is sourced from the submission of its work units. The problem in the application of accrual basis is caused by frequent changes in SAIBA Application Update, SIMAK-BMN, Inventory Application, and data equation between work units with the Ministry of Finance, in this case is the reconciliation with local KPPN. Another cause of the misunderstanding is that the financial statements are prepared using two bases: cash basis and accrual basis. The cash basis was marked by the existence of Budget Realization Report (LRA) in the financial statement.

The competence of accounting and reporting department is very influential for the quality of financial statements because the ability of a person or individual in an organization or system to carry out his functions to effectively and efficiently achieve his objectives is essential. Competence must be seen as the ability to achieve performance, to produce outputs and outcomes, in this case is to produce quality, relevant, reliable, comparable, and understandable financial statements.

SAIBA is expected to be the main key for Indonesian government to realize its accountability to its citizens by using the principle of transparency as mandated in the current Government's National Priority Program through the Forum for Innovation and Good Governance. Transparency in government administration give opportunities for the public to provide feedback on policies made by the government.

The references of this study are studies by [1] entitled *The Influence of Human Resource Competencies, Application of Regional Financial Accounting Systems, and Application of Government Accounting Standards (SAP) on the Quality of Regional Financial Statements in The Government of Riau Province (An Empirical Study on SKPD of Riau Province)*, [2] entitled *An Analysis of Regional Government Readiness in Applying Accrual-Based Government Accounting Standards in Gianyar Regency*, and [3], who conducted a research to understand and analyze the implementation of accrual-based Government

Accounting Standards in the aspects of commitment, regulation and policy, human resource management, and information technology management in the Government of Jombang Regency.

The general purpose of financial statements is to present information about the financial position, budget realization, cash flow, and financial performance of a reporting entity that is useful for users in making and evaluating decisions regarding resource allocation. The financial statements must meet principles stated in the Government Regulation Number 71 of 2010 concerning Government Accounting Standards. The financial statements are produced by all Work Units of the Court in Central Sulawesi, which are then used as the basis for preparing the financial report of the coordinator of Palu Religious High Court.

The accounting principles of government accounting are contained in Government Regulation Number 71 of 2010 concerning Government Accounting Standards (SAP). The regulation states that government is the regional government and the central government. Therefore, they are required to use Government Accounting Standards by referring to the Regulation of Minister of Finance (PMK) Number 238/PMK.05/2011 concerning guidelines for Government Accounting Standards.

The concept of competence at work was first introduced by Spencer & Spencer [4] through their book *Competency at Work*. It defines competence as underlying characteristics of individuals that are causally related to criterion-referenced effective and/or superior performance in a job or situation. In other words, it is fundamental traits of someone who is able to show a correlation with the criteria of effective and prime performance in a job or circumstance. Competent State Civil Apparatus (ASN) are indispensable in financial management in central and regional governments, especially in preparing financial reports. The definition of competence in government is the ability and characteristics of employees in the form of knowledge, skills, and behavioral attitudes in carrying out their duties and responsibilities professionally, effectively, and efficiently [5].

The quality of the financial statements of Central Sulawesi Religious High Court is influenced by a number of factors concerning the perception of competence of accrual-based accounting and reporting department. Therefore, this study tries to answer the following questions.

1. What is competence for employees of Accounting Department of Palu Religious High Court?
2. How accrual-based reporting is made in Palu Religious High Court?
3. How good is the financial statements prepared by Palu Religious High Court?
4. What is the effect of the perceptions of competence by Accounting Department on the quality of financial statements prepared by Palu Religious High Court?
5. Does accrual-based reporting affect the quality of financial statements prepared by Palu Religious High Court?

2. RESEARCH METHODS

This quantitative causal research aims to identify the perception of competence for Accounting and Reporting Department employees and its effect on the quality of the financial statements. The independent variable of this study is the perception of competence for Accounting and Reporting Department employees (X1) and accrual-based reporting (X2), and the dependent variable is the quality of financial statements (Y). The sample of this study is state civil apparatuses who work in the financial department which consists of nineteen Work Units, namely Budget User Authority (KPA), in this case is the head of the work unit, Public Finance Subdivision as the signatory officer for the payment order (SPM), and administrators of financial statements, which include SAIBA officers, SIMAK-BMN officers, and work unit members who know better about matters related to the research objectives.

The respondents of this study are 76 financial managers who are expected to be able to answer questions related to the perception of competence in accrual-based Accounting and Reporting Department. The data of this study was obtained from 5-point Likert scale questionnaires. To meet the requirements, first, questionnaires were distributed to thirty state civil apparatuses who came to KPPN office of Palu to achieve construct validity, namely to get an expert judgment whether the questionnaire is relevant with the theory or regulation.

The data was analyzed using multiple regression in SPSS for Windows, and descriptive statistics are also used to describe the related data.

3. RESULTS

3.1 An Analysis of the Perception of Competence for Accounting Department Employees

The meaning of competence for financial department employees can be seen from respondents' responses. The perception of competence for accounting department employees which was asked in 'Characteristics' indicator with the question of Does the published financial statement must contain the characteristics required by the legislation? has the highest importance. The lowest average score was obtained from the question of Are you able to be a guide or to assess others in competence test? The responses from the respondents indicate that they have a good and very good perception about competence. Thus, the dimensions competence perception and characteristics have important contributions in the financial statements. This means that competence, which consists of ability, characteristics, knowledge, skills, and attitudes, encourages employees to excel and to have a better performance. Intelligent and skillful employees have the creativity in carrying out their duties and responsibilities, in working based on the

applicable systems and procedures, and is solving problems related to financial reporting.

3.2 An Analysis of the Perception of Accrual-Based Reporting

The assessment on accrual-based reporting can be seen from respondents' responses. The highest value is on Assets and Equity. The responses indicate that the respondents' perception are categorized as good. Therefore, the dimension of accrual-based Reporting and the indicators of Assets and Equity have an important contribution in the Financial Statements. This means that in accrual-based reporting, which consists of accrual basis, income, expenses, assets, debt, and equity, is absolutely necessary for accrual-based financial reporting.

3.3 An Analysis of the Perception of Financial Statements' Quality

The assessment on financial statements' quality can be seen from respondents' responses on the indicator of Comparable, which was asked with the question of Is the financial information presented by the agency/institution where you work can be compared with the previous period's financial statements and has the most important role in the quality of the financial statements? In the average, the responses to the dimensions of financial statements' quality using Comparable indicators are good. Thus, comparability is important for financial statements' quality and the quality, which consists of relevance, reliability, and comparability is absolutely necessary.

The results of the regression analysis about the effect of accrual-based Accounting and Reporting Department employees' perception of competence on the quality of Palu Religious High Court's financial statements are as follows.

3.4 The Influence of Accounting Department Employees' Perception about Competence on the Quality of Palu Religious High Court's Financial Statements

Based on the results of the regression analysis, the perception of Accounting Department employees about competence has a partial effect on the quality of Palu Religious High Court's financial statements. It means that the higher the understanding of the employees on their capabilities and characteristics and the existing regulations, the higher the quality of the financial statements. An employee is competent if he believes that he has the ability and potential in doing work. The potential of an individual makes him confident with the knowledge and skills he has, so he can freely engage and innovate in their jobs. If human resource competencies are well implemented, the quality of the financial statements will improve, so the financial

reports can meet the qualitative characteristics of good financial statements.

This finding confirms the findings of Kadek Desiana Wati [6], in that human resource competence has a significant effect on the quality of regional financial reports and Ropiyantie [7], in that human resource competence has a significant influence on the quality of regional financial reports. Human resource competencies are demonstrated so that quality regional financial reports can be made. The competence of human resources can indicate whether a government has carried out its duties and functions professionally, effectively, and efficiently. Therefore, the competence of human resources encourages the realization of quality financial reports, which are free from material misstatements and misleading notions.

3.5 An Analysis of the Effect of Accrual-Based Reporting on the Quality of Palu Religious High Court's Financial Statements

The results of the regression analysis indicate that the perception of Accounting Department employees has a partial effect on the quality of Palu Religious High Court's financial statements. This means that the higher the understanding of the employees about their capabilities and characteristics and existing regulations, the higher the quality of the financial statements. An employee is competent if he believes that he has the ability and potential in doing work. The potential of an individual makes him confident with the knowledge and skills he has, so he can freely engage and innovate in their jobs. If human resource competencies are well implemented, the quality of the financial statements will improve, so the financial reports can meet the qualitative characteristics of good financial statements.

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4. CONCLUSION

The results of the regression analysis indicate that the perception of Accounting Department employees has a partial effect on the quality of Palu Religious High Court's financial statements. This means that the higher the understanding of the employees about their capabilities and characteristics and existing regulations, the higher the

quality of the financial statements. An employee is competent if he believes that he has the ability and potential in doing work. The potential of an individual makes him confident with the knowledge and skills he has, so he can freely engage and innovate in their jobs. If human resource competencies are well implemented, the quality of the financial statements will improve, so the financial reports can meet the qualitative characteristics of good financial statements.

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