

The Quality of Local Government Financial Statement and Its Determinant Factors

Rizal Yaya^{1,*} Deanita Chandrasari Nur Pawestri¹

¹ Universitas Muhammadiyah Yogyakarta, Indonesia

*Corresponding author. Email: r.yaya@umy.ac.id

ABSTRACT

This research aims to investigate the influence of human resource competency, implementation of government accounting standard, internal control system, and utilization of information technology towards quality of local government financial statement on OPD in Gunungkidul Regency. The test variables are human resource competency, implementation of government accounting standard, internal control system, and utilization of information technology. The population of this research is OPD in Gunungkidul Regency. The sample of this research included 32 OPD in Gunungkidul Regency with the 113 respondents in total. The respondents are coming from employees that involved in accounting function / financial administration. The data collected through questionnaire and analyzed using multiple linear analysis. The data in this study were tested using SPSS 15.0 software. Based on the analysis that have been made, the results are human resource competency and utilization of information technology significantly influence towards quality of local government financial statement. While, the implementation of government accounting standard and internal control system are not significantly influence towards quality of local government financial statement.

Keywords: *Human Resources Competency, Implementation of Government Accounting Standard, Internal Control System, Utilization of Information Technology, Quality of Financial Statement.*

1. INTRODUCTION

Central Government issued UU No. 23 / 2014 about replacement from centralization to decentralization government system. The existence of decentralization system by government implement as a regional autonomy. Regional autonomy makes the local government have rights, authority, and obligation to manage and organize their affairs in accordance with the prevailing laws and regulation. The policy substitutes the transfer of funding, facilities, infrastructure, and human resource affairs to the local government [1].

The implementation of this policy requires local government to report its performance to the Central Government. In addition, the society also demands the accountability for government financial reporting. Accountability is an obligation to take responsibility for the success or failure in carrying out the objectives and targets that have been set before, through a media periodically [2].

Government as public sector organization use the public resources. When the organization use public resources, it means that the public have rights to know

how public being served. So, the government must report its performance to the public as a form of public transparency [3].

Accountability for public transparency can indicated by characteristics of financial statement that regulated in Government Regulation (PP) No. 71 / 2010 about Government Accounting Standard (SAP) in the Government Accounting Conceptual Framework (KKAP, Appendix 1 par.35-40). The characteristics are relevant, reliable, understandable, and comparable [4]. When the financial statement finished, it will be submitted to the Legislative Member (DPR) / and Regional Legislative Member (DPRD) and share to the society after obtaining an audit opinion from The Audit Board of Indonesia (BPK).

According to Sri Mulyani as a Minister of Finance, the Unqualified Opinion does not guarantee that there is no corruption or fraud case on it. Unqualified opinion is (only) seen whether it has followed the planning, budgeting, and execution using accounting principles [5]. In fact, many irregularities found by BPK on the financial statement. In Daerah Istimewa Yogyakarta itself, since 2012-2016, almost of the province got Unqualified

Opinion. However, Gunungkidul Regency got three times Qualified Opinion [6]. Gunungkidul Regency become the object of the research because they can improve and maintain the audit opinion from Qualified Opinion in 2012-2014 to Unqualified Opinion in 2015-2016. Unqualified Opinion can be achieved by preparing the financial statement that is suitable with Government Accounting Standard, compliance with the laws, accountable, transparent, and adequate of disclosures.

This research is a replication from previous research from Raja Yoga Gustika Armel [7]. The variables of this research are human resource competency, implementation of Government Accounting Standard, internal control system, and utilization of information technology. The differences from the previous research are the population, the questionnaire used, and the research time was held. In this research that held in December 2019, the population is Gunungkidul Regional Bureaucracy (OPD). The questionnaire using is the combination from Nurais [8] and Triyanto [9] because the indicators are more suitable.

2. LITERATURE REVIEW

Stewardship Theory

Perspective of stewardship theory is taken form management accounting based on psychological and sociological theories. Stewardship theory is an alternative theory under agency theory that is used on public organization such as government. Stewardship theory essentially holds that the directors who acts as stewards do not pay attention with own economic interest, but more concern in organizational interest [10]. They will act in a way to achieve organizational interest than personal interest

Quality of Financial Statement

Financial statement must achieve the qualitative characteristics as a representative of government public responsibility. Qualitative characteristics of financial statement is normative measurement that need to be realized in accounting information so that they can achieve their objectives. In government, there are four qualitative characteristics of financial statement: (1) Relevant, financial statement that relevant can be achieve when the information contained can influence user's decision by helping them evaluate past or present events, predict the future, and confirm the result of their evaluation in the past, (2) Reliable, means that the information presented are free from misleading data and material errors, honest in presentation, and verifiable, (3) Comparable, the information contained in financial statement will be more useful if it can be compared with the previous period financial statement, (4) Understandable, the information presented in the financial statement can be understood by users and

expressed in terms adjusted to the limits of users understanding.

Human Resources Competency

Human resource is one of the important factors that basically movers, thinkers, and planner to achieve organizational objectives. Human resource also known as intellectual capital of people in the organization, their competencies, and use it in their work [11]. In a good local financial management, the OPD must have human resource that qualified and competent. Knowledge, skills, and attitude is the three main aspects of human resource competencies [12]. Research conducted by Armel [7], Adhitama [13], and Nurais [8] stated that human resource competency has a significant positive influence to the quality of local government financial statement. So, it can formulate that the first hypothesis is:

H₁: Human resource competency has a positive influence on the quality of local government financial statement.

Implementation of Government Accounting Standard

According to Government Regulation (PP) No. 71 / 2010, Government Accounting Standard is accounting principles applied in compiling and presenting government financial statement [4]. Government Accounting Standard as a standard that regulate how financial statement are presented for general purposes to improve the comparability of financial statement both in budget, between periods, and between entities [7]. Government Accounting Standard applied in the scope of central government, local government, and organizational units according to laws and regulations such as budgeting, reporting, and evaluating [13]. Research conducted by Armel [7], Adhitama [13], and Nurais [8] stated that the implementation of Government Accounting Standard has a significant positive influence to the quality of local government financial statement, While, Inapty and Martiningsih [14] stated the opposite. So, it can formulate that the second hypothesis is:

H₂: Implementation of Government Accounting Standard has a positive influence on the quality of local government financial statement.

Internal Control System

The definition of internal control system based on Government Regulation (PP) No. 60 / 2008 is an integral process in actions and activities carried out continuously by the leader and all of employees to provide adequate confidence in achieving organizational goals through effective and efficient activities, reliability of financial reporting, state assets security, and compliances of laws and regulations [15]. The purposes of internal control in the organization level relate to the reliability of financial statement, timely feedback value to achieve operational

and strategic objectives, and compliance with laws and regulations [7]. In the previous research conducted by Sanjaya [16] and Triyanto [9] stated that internal control system has a significant positive influence to the quality of local government financial statement. While Nurais [8] stated the opposite. So, it can formulate that the third hypothesis is:

H₃: Internal control system has a positive influence on the quality of local government financial statement.

Utilization of Information Technology

The use of information technology to collect, save, retrieve, and manipulate data has provided the public sector organization. Information technology system can deliver very accessible, provide information that accurate in times that can be fundamentally impact on conduct of operations in all sectors [17]. Public organization technology as known as e-government which is related to the use of technology that can enhance the internal effectiveness and efficiency process and transactions [18]. The utilization of information technology helped to accelerate the process of financial transaction and presentation, so the information timely presented before losing their value [7]. This is in line with research conducted by Triyanto [9].

H₄: Utilization of Information Technology has a positive influence on the quality of local government financial statement.

3. RESEARCH METHOD

Research Object

The object of this research is Regional Bureaucracy (OPD) located in Gunungkidul, Daerah Istimewa Yogyakarta. Subject of this research are 32 Regional Bureaucracy consist of 19 offices, 5 agencies, and 8 sub districts.

Data Type

The data type is quantitative through survey using primary data which is directly get from the respondents. The data instrument used is questionnaire that consist questions about several variables such as human resource competency, implementation of Government Accounting Standard, Internal Control System, and Utilization of Information Technology.

Sampling Technique

Technique of collecting data for this research is using purposive sampling, because of the ease with which researchers can reach the samples and selected based on certain considerations or criteria. Sample using in this research is Regional Bureaucracy in Gunungkidul consist of offices, agencies, and sub districts. The respondent’s criteria of the sample are Regional Bureaucracy

employee who carried out the accounting function / financial administration.

Data Collection Technique

This research using questionnaire as a data collection technique. Researcher distributed the questionnaire to respondents for every OPD and will be taken back for data processing one month maximally after questionnaire distributed. The questionnaire used by the researcher is a Likert scale questionnaire type with 5 - 1. 5 measurements for opinions strongly agree, 4 for opinion agree, 3 for neutral, 2 for disagree and 1 for strongly disagree.

4. RESEARCH RESULT AND DISCUSSION

Validity Test

Validity test used to know the ability of the test to measure the instrument tested. Data will be valid if the data appropriate with what should be measured. The validity of the data processed by SPSS can be seen by the total value of Correlate Bivariate of Pearson. The data can be said valid if r count greater than r table and the significance value is not more than 0,05. So, all instrument questionnaire statements are valid.

Reliability Test

The test results as follow:

Table 1. Reliability Test

Variable	Cronbach’s Alpha
Quality of Local Government Financial Statement	0,925
Human Resource Competency	0,934
Implementation of Government Accounting Standard	0,971
Internal Control System	0,830
Utilization of Information Technology	0,923

Based on the table, overall Cronbach’s Alpha value is more than 0.8, which is can be said that its high (internal control system) and perfect reliable (quality of local government financial statement, human resource competency, implementation of government accounting standard, and utilization of information technology).

Normality Test

The test results as follow:

Table 2. Normality Test

	Unstandardized Residual
Asymp. Sig. (2-tailed)	0,920

Normality test used to determine whether the data is distributed normally or not. The data is normal when the Asymp. Sig (2 tailed) more than alpha 0,05. Based on the table, the results are 0,920 > 0,05 which is the data normally distributed.

Multicollinearity Test

The test results as follow:

Table 3. Multicollinearity Test

Variable	Tolerance	VIF
Human Resource Competency	0,411	2,433
Implementation of Government Accounting Standard	0,259	3,862
Internal Control System	0,350	2,854
Utilization of Information Technology	0,538	1,857

Multicollinearity test used to test whether any linear relation between independent variables in the regression model. The existence of Multicollinearity can be seen from the Variance Inflation Factors (VIF). Based on table, all the tolerance value each independent variable more than 0,1. Beside that the VIF value also show the number less than 10. It means that every independent variable and regression model are free from multicollinearity.

Heteroscedasticity Test

The test results as follow:

Table 4. Heteroscedasticity Test

Variable	Sig
Human Resource Competency	0,454
Implementation of Government Accounting Standard	0,953
Internal Control System	0,802

Utilization of Information Technology	0,873
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Heteroscedasticity is a test to find out whether there is any inequality variance from residual for all observation. This test is to determine any deviation or not from classic assumption in regression model. Regression model free from heteroscedasticity when the significance value more than alpha (0.05) using Park Test. Based on the table, all significance value > 0.05. It means all of variables in regression model are free from heteroscedasticity.

Hypothesis Testing

Multiple Linear Regression

The results as follow:

Table 5. Multiple Linear Regression

Variable	Unstandardized Coefficient
	B
1 (Constant)	6,403
Human Resource Competency (HR)	0,494
Impelementation of Government Accounting Standard (IGAS)	-0,160
Internal Control System (ICS)	-0,060
Utilization of Information Technology (IT)	0,611

$$Y = 6,043 + 0,494 HR - 0,160 IGAS - 0,060 ICS + 0,611 IT + e \tag{1}$$

Equation (1) is the result of multiple linear regression with the explanation as follow:

The constant with the amount of 6,043 show that value of the quality of local government financial statement is 6,043 if HR, IGAS, ICS, and IT is zero (0) assuming that the value of the other variable is constant.

HR regression coefficient is 0,494 it means that every increase in HR of one unit will affect the increases in the quality of local government financial statement assuming other variable are constant.

IGAS regression coefficient is -0.160 it means that every decrease in IGAS of one unit will affect the decline in the quality of local government financial statement assuming other variable are constant.

ICS regression coefficient is -0.060 it means that every decrease in ICS of one unit will affect that decline in the quality of local government financial statement assuming other variable are constant.

IT regression coefficient is 0.611 it means that every increase in IT of one unit will affect the increases in the quality of local government financial statement assuming other variable are constant.

Coefficient Determination Test

The results as follow:

Table 6. Coefficient Determination Test

Model	R	R Square	Adj. R Square	Durbin Watson
1	,753	,568	,504	1,915

Based on the table, the adjusted R square is 0.504 or 50,4%. The amount means that the independent variable contributes 50,4% to explain the dependent variable then the remaining is 49,6% represent another variable outside the model.

F Test

The results as follow:

Table 7. F Test

Model	F	Sig.
Regression	8.863	,000

Based on table, the significant value of F test result is 0,000 which is < 0.05 and for F calculation is 8,863. So, because the significant calculation lower than significant value, the independent variable simultaneously influences towards local government financial statement.

T Test

The results as follow:

Table 8. T Test

Hypothesis	B	Sig.	Conclusion
H ₁ (HR)	0,494	0,001	Accepted
H ₂ (IGAS)	-0,160	0,092	Rejected
H ₃ (ICS)	-0,060	0,841	Rejected
H ₄ (IT)	0,611	0,002	Accepted

The following are the explanation of the table above:

Hypothesis 1 (H₁)

Based on the table, the result of hypothesis test show that there is any influence between human resource competency towards quality of local government financial statement. It is proved by regression coefficient value (B) is 0,494 and the significance value is 0,001 which is less than α 0,05. So, the human resources competency positively influence towards quality of local government financial statement which is H₁ accepted.

Hypothesis 2 (H₂)

Based on the table, the result of hypothesis test show that there is no influence between implementation of government accounting standard towards quality of local government financial statement. It is proved by regression coefficient value (B) is -0,160 and the significance value is 0,092 which is more than α 0,05. So, the implementation of government accounting standard does not positively influence towards quality of local government financial statement which is H₂ rejected.

Hypothesis 3 (H₃)

Based on the table, the result of hypothesis test show that there is no influence between internal control system towards quality of local government financial statement. It is proved by regression coefficient value (B) is -0,060 and the significance value is 0,841 which is more than α 0,05. So, internal control system does not positively influence towards quality of local government financial statement which is H₃ rejected.

Hypothesis 4 (H₄)

Based on table, the result of hypothesis test show that there is any influence between utilization of information technology towards quality of local government financial statement. It is proved by regression coefficient value (B) is 0,611 and the significance value is 0,002 which is less than α 0,05. So, internal control system positively influence towards quality of local government financial statement which is H₄ accepted.

5. CONCLUSIONS, IMPLICATIONS, LIMITATIONS, AND SUGGESTIONS

Conclusions

This research aims to test and prove empirically the influence of Human Resource Competency, Implementation of Government Accounting Standard, Internal Control System, and Utilization of Information Technology towards Quality of Local Government Financial Statement. The following are the results of this research:

1. Validity test show that all of items for questions each variable has r count > r table 0,3494 with significance value 0,00 < 0,05. It means that the items in the questionnaire used by researcher are valid.
2. Reliability test show that through the Cronbach alpha coefficient calculation each variable used, researcher already fulfill minimum value of reliability with the value 0,5. In this research, all variable has more than 0,7 and 0,9 which is high and perfect reliable. So, this questionnaire can be used more than once.

- Based on the research result in Gunungkidul Regency show that:

Human resource competency has significant positive influence towards quality of local government financial statement. This result based on the t test calculation in multiple linear regression with the significance value $0,001 < \alpha (0,05)$.

Implementation of Government Accounting Standard has no significant positive influence towards local government financial statement. This result based on the t test calculation in multiple linear regression with the significance value $0,092 > \alpha (0,05)$.

Internal control system has no significant positive influence towards local government financial statement. This result based on the t test calculation in multiple linear regression with the significance value $0,841 > \alpha (0,05)$.

Utilization of information technology has significant positive influence towards local government financial statement. This result based on the t test calculation in multiple linear regression with the significance value $0,002 < \alpha (0,05)$.

Implications

Based on the result of this research, there are two factors that significantly influence the quality of local government financial statement, first is human resource competency and the second is utilization of information technology. These two factors are very important for achieving government goals in making financial statement that quality. Besides that, the two other factors that no less important but not significantly influence such as implementation of Government Accounting Standard and internal control system.

For the local government in Gunungkidul Regency, this study can be alternative material for evaluating the OPD in the process of preparing financial statement. The government can maintain and improve the competency of human resource mainly in employee's knowledge, skill, and attitude in accounting process.

Government also must pay attention with the implementation of Government Accounting Standard. In fact, many employees that do not come from accounting education background. It makes the knowledge and understanding of Government Accounting Standard by employees become less. Employees only make financial reports with existing templates and supported by the length of time they work in finance. Therefore, they are accustomed to making financial reports, but the understanding of Government Accounting Standard is less. So that, the government can do the socialization about Government Accounting Standard and then the employees can understand and implement it well.

For the internal control system, the government are expected to run and improve the existing system, so it can be running well and not only formality. The utilization of information technology in Gunungkidul Regency also has been running well, including computerized accounting system, computer maintenance until the provision of internet networking.

Limitations

There are several limitations in this study as follows:

- Sample in this study only took 32 samples consist of 19 agencies, 6 entities, and 8 sub-districts in Gunungkidul Regency, due to limited human resource and time. So, this study only represents several research samples and not universal. This occur because of the limitation of human resource and time.
- Research only use 4 independent variables (human resource competency, implementation of government accounting standard, internal control system, and utilization of information technology) as variable measurement so the conclusions are limited.
- This research only use questionnaire as data collection technique so maybe the respondent not honest answering questions.
- The researcher used an inappropriate questionnaire. The questionnaire used more focus on individual analysis rather than organizational analysis. This occur because of a lack of knowledge regarding the use of appropriate questionnaire.

Suggestions

Based on the discussion and conclusions of the research that has been done, the research suggestions are:

- Future researchers are expected to add the samples by expanding the research area with different characteristics. So that the research result will be universal.
- Future researchers are expected to add another independent variable that possibility influence the quality of local government financial statements.
- Future researchers are expected to add data collection technique using interview so the data will be more complete than previous research.
- Future researchers are expected to replace or improve the questionnaire relate with the analysis unit so it will be appropriate.

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