

# Influence of Human Resources and Competency Internal Control System on the Quality of Financial Reports with the Application of Accrual-Based Accounting Standards as a Mediation Variable

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**Abstract**—The purpose of this study is to identify the influence of human resources and competency government internal system on the quality of financial report. The study was conducted on 106 respondents consisting of 15 units of Local Government Work in the local government of Nunukan. Based on the results of testing of this study competence of Human Resources positively affect the application of Accounting Standards Accrual-based government, and no effect on the quality of Local Government Financial Statements. The competence of Human Resources does not affect the quality of Local Government Financial Statements when mediated by the application of Accrual Based Government Accounting Standards. The application of Accrual Based Government Accounting Standards has an effect on the quality of Local Government Financial Statements. The Government's Internal Control System influences the application of Accrual-based Government Accounting Standards. The Government's Internal Control System positively influences the quality of Local Government Financial Statements either directly or in mediation by the adoption of Accrual-based Government Accounting Standards.

**Keywords**— *Competence, resources, government, systes, standard, quality, report*

## I. INTRODUCTION

It is not an easy matter to apply accrual basis accounting standards in the public sector. It takes a high commitment for fulfillment between the government and the community. As stated by Graham

Divers in the 4th Regional Public Sector Conference in Bandung some time ago. Graham assessed that the application of the accrual basis in the public sector is not an easy matter, the global practice of the accrual basis is also very diverse and colored with different obstacles. Each country has its own challenges. Graham also agrees that this implementation takes time. Many countries are committed to implementing this system in a short time, but in reality it is not that simple. The UK, which incidentally has implemented a more advanced accounting system, needs several years in the process of transitioning the application of this standard. (McGaughey, Colussi et al. 2007)

The transition period is often a problem in applying the accrual basis. Many governments are too optimistic or with political considerations, claiming to be able to implement these global standards in a short time, without any realistic understanding from bureaucrats or human resources. Significant changes, potentially have the effect of eroding public trust. In a study conducted by the IPSAS Board, it takes 4-6 years of transition to implement the accrual basis in the public sector comprehensively, and even then with a record of large political support, as well as preparation of sustainable human resources and infrastructure.

Conventional government management system usually ignores the human competency, but more concern on commitment, integrity and loyalty. This is one of the reason why the productivity of government employees usually lower. The novelty in this research

is to investigate a new model and government system regarding to officer competency and financial report quality. It is expected the could be innovated a new system and government financial report.

The objectives of this research are to identify and to analyze:

1. The effect of human resource competence on Accrual Basis Government Accounting Standard.
2. The effect of nternal Control System on the Implementation of Accrual Basis Government Accounting Standards.
3. The effect of Resource Competence on Quality of Financial Statements
4. The influence of Internal Control System on Quality of Financial Statements.
5. The influence of the application of Accrual Basis of Accounting Standards on the Quality of Financial Statements,

## II. RESEARCH METHODOLOGY

This study uses a qualitative method and aims to examine the effect of Human Resource Competence, Government Internal Control System, on the Application of Government Accounting Standards on an Accrual Basis on Financial Reports of Regional Work Units. This study emphasizes the analysis of numerical data (numbers) which are processed using statistical test tools.

### Variable Operational Definition

The operational definition of variables describes the characteristics of the object into observable elements that cause the concept to be measured and operationalized in research. In this study, there are four variables consisting of two independent variables, namely Human Resource Competence (X1) and Government Internal Control System Variable (X2). Quality of Government Financial Reports as the dependent variable (Y). Meanwhile, the application of government accounting standards on the accrual basis becomes the mediating variable (Z).

### 2.1 Human Resources Competence (HR)(X1)

Competence is an ability to carry out or perform a job or task based on skills and knowledge and supported by the work attitude required by the job. knowledge and abilities. So that competence becomes a characteristic that underlies an individual or a person to achieve high performance in his work. These characteristics appear in the form of knowledge, skills, and attitudes to create apparatus that have a high ICS rit of service in serving the community who always act frugally, efficiently, rationally, transparently, and accountably.

The competencies possessed by individual civil servants must be able to support the implementation of organizational strategies and be able to support any

changes made by management. Human resources competence of civil servants in general means the capabilities and characteristics possessed by a civil servant in the form of knowledge, skills, attitudes and behaviors needed in carrying out their duties and positions. The variable of Human Resources competence is measured using the 3 indicator of knowledge, Skill, and attitude. This variable uses 10 questions.

### 2.2 Internal Control System (ICS) (X2)

The Internal Control System (ICS) is an integral process for actions and activities carried out continuously by the leadership and all employees to provide adequate assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations. This variable is measured by 5 indicator, namely the control environment, risk assessment, control activities, information and communication, monitoring. This variable uses 11 questions.

### 2.3 Application of Government Accounting Standards (GAS) Accrual Basis (Z).

GAS is applied in the government environment, both at the central government level and at the local government and service levels. The implementation of GAS is believed to have an impact on improving the quality of government financial reports, which will be the basis for decision making in government and to realize transparency and accountability. The provisions for the application of GAS Accrual Basis are gradually regulated by the Minister of Home Affairs Regulation No. 64 of 2013 concerning the application of GAS Accrual Basis in Regional Governments. Application Variable GAS basis Accrual is a mediating variable that is measured using 10 questions.

### 2.4 Quality of Financial Statements (QFS)(Y)

Financial Reports are basically a form of accountability for the use of public funds. The budget realization report presents an overview of the sources, allocation and use of economic resources managed by the Regional Government which illustrates the comparison between the budget and its realization in one reporting period. The quality of financial reports as the dependent variable consists of 4 indicator, namely relevant, reliable, measurable, understandable with a total of 8 questions. Financial statements or reports could be mediating variable because for improving the government performance should be reflected by appropriate financial statement. On the other hand, appropriate financial statement depend on human resources and human competency. It is

supported the study under taken by with title Financial statement comparability and cash holdings: the mediating role of disclosure quality and financing constraints (Mehrabanpour, Faraji et al. 2020)

2.5 Data analysis method

In this study the data used are primary data in the form of a questionnaire given to the respondents directly. According to Sugiyono, 2012 that the questionnaire is a series of questions given to respondents. Questionnaires given to respondents in the form of questions regarding the Competence of Human Resources, Government Internal Control System, Application of Accrual Basis of Accounting Standards and Quality of Financial Reports of Regional Work Units. The results of the answers to the questionnaires filled out by the respondents were then processed as data for research which was measured using the Linkert scale. Each question consists of four answer choices. Each answer is given a score. For Strongly Agree (SA) answers are given a score of 4, Agree (A) are given a score of 3, Disagree (D) answers are given a score of 2 and Strongly Disagree (SD) with a score of 1. Thus the highest score is 4 and the lowest score is 1 Limitation of answer choices as much as 4 points to avoid neutral answers that can affect respondents in giving answers. Respondents will tend to choose neutral to answer questions that are doubtful or that he does not understand.

while the sample is civil servants who are structural members who have tasks related to financial reporting. And have had a minimum of 2 years of service. Information to support this research was collected from various sources. Other information needed for this research was carried out by means of a literature study, both from books, journals, internet, documentary news as well as interviews with several respondents.

Descriptive Statistics are statistics used to analyze data by describing/illustrating the data that has been collected as it is without the intention of making generally accepted conclusions or generalizations. According to Ghazali (2016: 19) descriptive statistics are used to provide an overview or description of a data seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis and swekness (distribution sloping). The descriptive statistics used in this study are the number of samples studied, the minimum value, the maximum value, the mean and standard deviation of kurtosis and skewness. With descriptive statistics, researchers can obtain an overview such as the number, average, distribution and distribution of data , etc.

2.6 Goodness of Fit Test (R2)

Testing the coefficient of determination is used to explain how much variation in the dependent

variable can be explained by variations in the independent variable. The value of R2 which is close to 1 (one) means that the independent variables provide almost all the information needed to predict the variation of the dependent variable (Ghozali, 2016).

Table 1 Test Results R<sup>2</sup> and Adinsted R<sup>2</sup>

Independent Variable	R <sup>2</sup>		Adjusted R <sup>2</sup>	
	GAS	GFS	GAS	GFS
Human Resources Competenncy And Internal Control System	0,235	0,392	0,220	0,376

Based on the calculation results, the coefficient of determination R2 in the first model (GAS) is 0.235 with an adjusted R2 value of 0.220. This can explain that the two independent variables, namely the Competence of Human Resources (HR) and the Internal Control System (ICS), are able to explain the variation of the dependent variable, namely the Implementation of Government Accounting Standards (GAS) on an Accrual Basis of 23.5%, while the remaining 76 ,5% can be influenced by other factors that are not included in the research model.

While in the second model based on the calculation results, the coefficient of determination R2 for the Internal Control System (ICS) is 0.392 with an adjusted R2 value of 0.376. This can explain that the two independent variables, namely Human Resources (HR) and Internal Control System (ICS), are able to explain the variation of the dependent variable, namely the Quality of Financial Statements (GFS) of 39.2%, while the remaining 60.8% are able to influenced by other factors not included in the research model

2.7 Test (Simultaneous)

The F statistical test basically shows whether all the independent variables included in the model have a joint effect on the dependent variable (Ghozali, 2016). If the analysis using the F test shows that all of the independent variables are simultaneously a significant explanation of the dependent variable

Table 2. F Test Results (Simultaneous)

Independent Variable	F <sub>hitung</sub>		Sig.		Conclusion
	GAS	GFS	GAS	GFS	
HR & ICS	14,934	12,243	0,000	0,000	H <sub>0</sub> Rejected

Source : SPSS 23

- Note :
- GAS = Government Accounting Standards
- GFS = Quality of Financial Statements
- HR = Human Resources Coefficient
- ICS = Internal Control System

Hypotesis :

H0 : There is no simultaneous significant effect between Human Resource Competence and Internal Control System on Government Accounting Standards on an Accrual Basis and Quality of Financial Statements.

Ha : There is a simultaneous significant influence between Human Resource Competence and Internal Control System on Government Accounting Standards and Quality of Financial Reports

F test results using analysis of variance (ANOVA) which explains that the Fcount obtained is 14.934 in the GAS model with a significance probability value of 0.000 and an Fcount value of 12.243 in the Quality of Financial Statement model with a probability value of 0.000. The probability value generated in both models shows a value that is smaller than the 5% significance level or  $0.000 < 0.05$ . This shows that together (simultaneously) the Competence of Human Resources and the Internal Control System are able to significantly influence the Implementation of Government Accounting Standards on the Accrual Basis and Quality of Financial Statements.

**2.8 T test (Partial Test)**

The t-statistical test basically shows how far the influence of one independent variable individually in explaining the variation of the dependent variable (Ghozali, 2016).

The decision making of the t test is as follows:

If sig. alpha 0.05, then H0 is rejected.

If sig. > alpha 0.05, then H0 is accepted.

the results of the t-statistical test can be seen as follows:

**Table 3. T-Test Independent Variable**

Independent Variable	R <sup>2</sup>		Adjusted R <sup>2</sup>	
	GAS	GFS	GAS	GFS
Human Resources Competency And Internal Control System	0,235	0,392	0,220	0,376

**Table 4. T-Test Results (Partial Test)**

Independent Variable	Coefficient		Sig.		Conclusion
	GAS	GFS	GAS	GFS	
(Constant)	1,831	1,512	0,000	0,000	
HR	0,489	0,275	0,000	0,003	H <sub>01</sub> rejected H <sub>03</sub> rejected
ICSP	-0,157	0,323	0,085	0,000	H <sub>02</sub> accepted H <sub>04</sub> rejected
GAS	-	0,297	-	0,002	H <sub>05</sub> rejected

Note:

GAS = Government Accounting Standards

GFS = Quality of Financial Statements

HR = Human Resources Coefficient

ICSP = Internal Control System

**Hypotesis 1**

H01 : Human Resource Competence does not have a significant effect on the Implementation of Government Accounting Standards on an Accrual Basis

Ha1 : Human Resource Competence has a significant influence on the Implementation of Government Accounting Standards on an Accrual Basis

The test results show that the coefficient value obtained is 0.489 with a probability value of 0.000. The resulting probability value of 0.000 is smaller than the 5% error rate, or 0.05 can state that the influence of Human Resource Competence on the Implementation of Government Accounting Standards is significant. So it can be concluded that Hypothesis 1 is accepted.

**Hypotesis 2**

H02 : The Internal Control System does not have a significant effect on the Implementation of Government Accounting Standards on an Accrual Basis

Ha2 : Internal Control System has a significant influence on the Implementation of Government Accounting Standards on an Accrual Basis

The test results show that the coefficient value obtained is 0.157 with a probability value of 0.085. The resulting probability value of 0.085 is greater than the 5% error rate, or 0.05 can state that the influence of the Internal Control System on the Implementation of Government Accounting Standards on the Accrual Basis is not significant. So it can be concluded that Hypothesis 2 is rejected.

**Hypotesis 3**

H03: Human Resources Competence does not have a significant influence on the Quality of Financial Statements

Ha3 : Resource Competence has a significant influence on the Quality of Financial Statements

The test results in table 4.12 show that the coefficient value obtained is 0.275 with a probability value of 0.003. The resulting probability value of 0.003 is smaller than the 5% error rate, or 0.05 can state that the influence of Human Resource Competence on the Quality of Financial Statements is significant. So it can be concluded that Hypothesis 3 is accepted.

**Hypotesis 4**

H04 : The Internal Control System does not have a significant effect on the Quality of Financial Statements

Ha4 : Internal Control System has a significant influence on the Quality of Financial Statements

The test results in table 4 show that the coefficient value obtained is 0.323 with a probability value of 0.000. The resulting probability value of 0.000 is smaller than the 5% error rate, or 0.05 can state that the influence of the Internal Control System on the Quality of Financial Statements is significant. So it can be concluded that Hypothesis 4 is accepted.

*Hypotesis 5*

H05: The application of the Accrual Basis of Accounting Standards does not have a significant effect on the Quality of Financial Statements

Ha5: The application of the Accrual Basis of Accounting Standards has a significant influence on the Quality of Financial Statements

The test results in table 4.12 show that the coefficient value obtained is 0.297 with a probability value of 0.002. The resulting probability value of 0.002 is smaller than the 5% error rate, or 0.05 can state that the influence of Human Resources on Government Accounting Standards is significant. So it can be concluded that Hypothesis 5 is accepted.

*Indirect Effect Test*

In this study, further answer the hypothesis regarding the indirect effect (mediation) by calculating the results of the partial test (t-test) in the previous table through the Sobel calculator. The following is the result of the calculation which is the answer to the proposed hypothesis.

**Table 5. Indirect Influence Test Results**

Hypothesis Examining	Probability	Conclusion
HR → GAS → QFS	0,0039	H <sub>06</sub> rejected
ICSP → GAS → QFS	0,0765	H <sub>07</sub> daccepted

*Hypotesis 6*

H06: Human Resources Competence does not have a significant effect on the Quality of Financial Reports of Regional Work Units through Government Accounting Standards

Ha6: Human Resources Competence has a significant influence on the Quality of Financial Reports of Regional Work Units through Government Accounting Standards

The results of the calculation on the indirect effect show a probability value of  $0.00 < 0.05$  or has a significant level at the 5% level, it can be stated that the competence of human resources has an indirect effect on the financial statements of regional work units through the application of government accounting standards. Accrual basis, or in other

words, it can be said that the government accounting standard Bais Accrual is able to mediate the relationship between human resources and the quality of financial reports of regional work units, so it can be concluded that Hypothesis 6 is accepted.

*Hypotesis 7*

H07 : The Government's Internal Control System does not have a significant influence on the Quality of the Financial Reports of Regional Work Units through Government Accounting Standards

Ha7 : The Internal Control System has a significant influence on the Quality of the Financial Reports of Regional Apparatus Work Units through Government Accounting Standards

The result of the calculation on the indirect effect shows a probability value of  $0.07 > 0.05$  or does not have a significant level at the 5% level, it can be stated that the Government Internal Control System has an indirect effect on the Quality of Financial Statements through the Application of Government Accounting Standards on an Accrual Basis , or in other words, it can be said that the Government Accounting Standards for Accruals are not able to mediate the relationship between the internal control system and the financial statements of regional work units, so it can be concluded that Hypothesis 7 is rejected.

**III. DISCUSSION OF RESEARCE RESULTS**

Based on the results of hypothesis testing, there is a significant influence between the competence of human resources on the application of Government Accounting Standards on an Accrual Basis. Competency-based human resource development for civil servants is very necessary in order to realize a professional government. Competence of the position of HR apparatus, in general means the abilities and characteristics possessed by a civil servant in the form of knowledge, skills, attitudes, and behaviors, which are needed in carrying out their duties and positions (Mustopadidjaya, 2002). In the regulation of the Head of the State Civil Service Agency no. 8 of 2013 civil servants must have technical competence. Technical competence is the work ability of every civil servant which includes aspects of knowledge, skills and work attitudes that are absolutely necessary in carrying out the duties of his position. In order to fulfill the competence of employees in the regions, regional civil service bodies often hold education and training in accordance with the level of position. The delegation of employees to take part in training outside the region is also an effort to improve the competence of HR employees in the regions. In addition, personal awareness of employees also appears to increase their competence by increasing their level of education. Where at the beginning of the

division from sub-district to district, more employees in Nunukan district graduated from high school or the equivalent. The existence of distance lectures with S1 and S2 levels is very helpful for employees in improving their competence.

Application of GAS accrual basis based on PP no. 71 of 2010 which will be implemented at the latest in 2015, and the BPK's opinion on the financial statements of the Nunukan district for the 2015 fiscal year shows that the competence of human resources of employees in the Nunukan district has an influence on the implementation of the accrual basis GAS. This is in line with the results of research conducted by Sukadana and Putu (2015) that the competence of human resources affects the implementation of GAS. It cannot be denied that human competence is an unavoidable factor in carrying out organizational or agency activities.

From the results of these tests, there is a decision that there is no influence between the Internal Control System on the Application of Accrual Basis of Accounting Standards (GAS). The ineffectiveness of the internal control system on the GAS accrual basis can be due to the competence of human resources in this case is the understanding of employees in understanding the internal control system as stated in PP 60 of 2008. Where in PP 60 of 2008 there are several sub-rules that regulate regarding the implementation of agency control activities. Differences in staffing structure will affect the understanding and implementation of the internal control system. At the treasurer level, ICS can be used as a reference in implementing GAS, but at a certain level, ICS is a rule as a guidance for the apparatus. ICS which is designed to be so strict on the control system but is not flexible when it has to be combined with the application of GAS in areas that are still difficult to reach. So that when ICS and GAS are applied simultaneously there will be a conflict between the rules and conditions in the field. This can result in ICS tends to be ignored in carrying out accountability reports. Extreme geographical conditions can also affect the transfer of information about applied developments. a model can be drawn, that GAS is a provision that must be carried out in financial statements while ICS is a tool used to achieve financial statements to conform to GAS. Analysis of the Effect of Accrual-Based Government Accounting Standards on the Quality of Financial Statements

From the test results, there is a significant influence between the competence of human resources on the quality of financial reports. As per research conducted by Juwita (2013). The application of GAS Accrual Basis is expected to be a motivation to increase transparency, governance, and accountability of regional financial management. All

regions must immediately take strategic steps in the form of preparing regulations, preparing human resources, and adjusting applications. The goodness of this accrual basis causes the government to apply this accrual basis to government accounting in the hope of being able to improve overall government performance, both in terms of budget preparation and budget realization.

This can be seen from the report on the results of the financial audit of Nunukan Regency, that the 2010 fiscal year received an unreasonable opinion, the 2011 - 2014 fiscal year with an increased opinion and in 2015 - 2020 it received an opinion. BPK shows an increase in the quality of Nunukan district financial reports, which is accompanied by an increase in the competence of human resources of employees in the Nunukan district in general and at the SKPD level in particular. In conjunction with the application of GAS accrual basis in 2015, Nunukan Regency obtained a increased opinion. and opinions for the first time since Nunukan District was founded. This shows that GAS can be implemented properly, and in accordance with the purpose of its implementation, namely to improve the efficiency and effectiveness of the financial system (budgeting, accounting and reporting) in the public sector. This study is the same as the results of research conducted by Sagung and nyoman (2016), and Ida Najati et.all (2017)

Analysis of the Influence of Human Resource Competence on the Quality of Financial Reports. From the results of hypothesis testing, there is a significant influence between the competence of human resources on the quality of local government financial reports. Competence is the ability to carry out tasks or jobs based on knowledge, skills, and supported by attitudes that are individual characteristics. Competency-based human resource development for civil servants is very necessary in order to realize a professional government. Competence of the position of apparatus, generally means the abilities and characteristics possessed by a civil servant in the form of knowledge, skills, attitudes and behaviors needed in carrying out their duties and positions (Mustopadidjaja, 2002). Financial statements are a form of accountability for the management of economic resources owned by an entity (dedinurdiwan). In order to obtain good results in carrying out their accountability duties, of course, the HR competence of the employee is needed. This is in line with the results of research conducted by Pradono (2015) and Desy et al (2014) that the competence of human resources affects the Quality of Local Government Financial Reports. Where human competence is an important factor in carrying out organizational activities.

Analysis of the Effect of the Government's Internal Control System on the Quality of Financial

Reports. From the test results, there is an influence between the internal control system on the quality of local government financial reports. This is because internal control is a way to direct, monitor, and measure an organization's resources, and plays an important role in preventing and detecting fraud. A good control system will certainly minimize the risk of fraud in the agency. The inspection carried out by the inspectorate as an internal audit only occurs once in the budget period or one year for all activities in one agency with a budget sourced from the APBD, of course this will affect the quality of financial reports. Administrative checks will be carried out between September - December, so error correction will take a long time. Because usually it is an administrative error of responsibility documents. One other factor that is the reason why the internal control system is not optimally implemented is the examination conducted by the BPK using a sampling test or risk-based audit. Audit risk is determined from the amount of budget received in one activity. So that the audit is not carried out thoroughly on all activities in the agency. This will affect the application of ICS to the application of GAS. For a small budget, which means that the risk is also small, the ICS tends not to work as it should. The BPK audit system tends to make the implementation of ICS only focus on activities with large budgets. Meanwhile, activities with small budgets receive less attention in implementing ICS. In line with the research conducted by Nurilah and Muid (2012), Pradono (2015), Dewi (2014)

Analysis of the Mediation Effect of the Application of Accrual Basis of Accounting Standards on the Quality of Financial Statements with Competence of Human Resources. From the test results, there is a significant influence between the competence of human resources on the quality of local government financial reports mediated by the application of Government Accounting Standards on an accrual basis. From the above tests, there is an influence of human resource competence on GAS and on the quality of financial reports. Even when the competence of human resources is mediated by GAS on the quality of financial reports, this shows the importance of human resource competence on the space for an agency to carry out its activities to achieve goals. Technical competence is the work ability of every civil servant which includes aspects of knowledge, skills and work attitudes that are absolutely necessary in carrying out the duties of his position. In order to fulfill the competence of employees, the regional civil service agency often provides education and training according to the level of position. The delegation of employees to take part in training outside the region is also an effort to improve the competence of HR employees in the regions. In addition, employees' personal awareness

also appears to improve their competence by attending distance lectures, many employees continue their education from the high school level to the undergraduate level and from the undergraduate level to the master level. This can be seen from the increase in the quality of BPK audit results from year to year. The first time on 2015 the Nunukan Regency obtained a increased opinion. The increase in BPK's opinion indicates an increase in the quality of Nunukan district financial reports, which is accompanied by an increase in the competence of human resources in the environment. Nunukan Regency in general and at the SKPD level in particular. that the improvement in the competence of employees in the Nunukan district government is getting better.

Analysis of the effect of mediating the application of Accounting Standards on the Quality of Financial Statements with the Internal Control System. There is no significant effect between the internal control system on the quality of government financial reports mediated by the application of accounting standards (GAS) on an accrual basis. This is in accordance with hypothesis 2 which states that the internal control system has no significant effect on the application of GAS accrual basis. GAS already has standard rules for the implementation of GAS, so that the internal control system has less role in the implementation of GAS implementation. In fact, the internal control system has a role in other parts related to organizational activities. As implemented, GAS has been regulated by regulations and laws which are the basis for the implementation and implementation of GAS on an accrual basis. GAS is a provision that must be carried out in financial statements while ICS is a tool used to achieve financial statements to conform to GAS.

#### IV. CONCLUSION

Based on the results of testing and discussion of chapter 4, it can be concluded that this research is:

1. There is an influence of human resource competence on the application of government accounting standards on an accrual basis, the implication of this condition the quality of financial is higher and the impact accrual basis could be implemented.
2. The application of the internal control system has no effect on the application of accrual basis government accounting standards. The implication is the human resources are not always depend on the application, they also could do it manually.
3. The application of government accounting standards on the accrual basis affects the quality of financial statements. The implication is all of the officer supposed able to use the application effectively.

4. There is an influence of human resource competence on the quality of financial reports. The implication is the government must to improve the human resources competency consistently.
5. The internal control system affects the quality of financial reports. The implication is the internal control system must be implemented regularly.
6. There is an influence of human resource competence on the quality of financial reports mediated by the application of accrual basis government accounting standards. The implication is human resources competency should be improved regularly and continuously for producing higher financial statement quality.
7. The application of accrual basis accounting standards cannot mediate the internal control system on the quality of financial reports. The implication is the model should be fixed which human resources competency and financial statement as a main priority.

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