






# The Effect of Human Resources Competence, Information Technology Systems, Internal Control Systems and Government Accounting Standards on the Quality of Local Government Financial Reports (Empirical Study of the Tegal Regency Regional Apparatus Organization)

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**Abstract.** Financial reports are a medium for an entity, in this case the local government to account for its financial performance to the public. Local governments must be able to present financial reports that contain quality financial information. This study aims to determine the effect of Human Resource Competence, Information Technology Systems, Internal Control Systems and Government Accounting Standards on the Quality of Local Government Financial Reports. While the population in this study were employees of Regional Apparatus Organizations (OPD) in Tegal District. The sample in this study were finance and accounting staff at OPD Tegal District. The research object used was 39 OPD, from 100 respondents who were finance and accounting staff at the Regional Apparatus Organization (OPD) of Tegal District. The results of this study prove that the competence of human resources and government accounting systems have no effect on the quality of financial reports. Meanwhile, information technology systems and internal control systems affect the quality of financial reports.

**Keywords:** Human Resource · Information Technology · Internal Control Systems · Accounting Standards

## 1 Introduction

Good and responsible government governance is needed in every government, both central and local government. One of the embodiments of good governance is that the government has good quality financial reports in its management. The same research was conducted by (Maysaroh, 2018), which explains that financial reports are a medium for an entity, in this case the local government to account for its financial performance to the public. Local government must be able to present financial reports that's contain quality financial information. One of the government's ways to achieve quality government

financial management is to apply government regulation no. 71 of 2010 which is relevant, reliable, comparable, and understandable.

Government financial statements that can meet the desired quality must have the four qualitative characteristics above as normative prerequisites that need to be realized in accounting information so that it can fulfill its objectives. The quality of financial reports will improve the quality of information presented in financial statements (Modo, Saerang, & Poputra, 2016).

According to (Sukmaningrum, 2012) financial reports produced by local governments will be used by several interested parties as a basis for decision making. Therefore, the information contained in the Regional Government Financial Report (LKPD) must be useful and in accordance with the needs of the users. An information will be useful if the information can support decision making and can be understood by users. Therefore, local governments are required to pay attention to the information presented in financial reports for planning, controlling, and decision-making purposes.

Financial reports that can be accounted for are those prepared by competent Human Resources (HR) and understand the rules for preparing financial statements with Government Accounting Standards (SAP). HR competence is the ability to carry out functions to achieve its objectives effectively and efficiently. HR is an important factor for the creation of quality financial reports (Ihsanti, 2014). According to (Wati, Herawati, & Sinarwati, 2014) In this case the existence of HR competence underlies a person to achieve high performance in his work has a very important role to plan, implement, and control the entity concerned.

The quality of financial reports can also be influenced by Information Technology Systems (STI). By using STI financial reports can be of higher quality because the data has been structured by the system. (Hall, 2009) An information system is a set of formal procedures by which data is collected, processed into information and distributed to users. Information technology has become the main choice in creating an information system for an organization that is strong and capable of giving birth to a competitive advantage in the midst of technological advances (Modo et al., 2016). In order to create good government performance, efforts are made to implement applications on financial management of central and regional governments.

Another aspect that affects the quality of local government financial reports is the Internal Control System (SPI). Based on Government Regulation No. 60 of 2008 SPI is an integral process in actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets and compliance with laws and regulations. The high quality of local government financial reports is determined by how good its internal controls are. If internal control is weak, it will be difficult to detect fraud in the accounting process so that it can cause audit evidence obtained from the accounting data to be irrelevant (Dewi, Purnamawati, & Herawati, 2017). The same research was conducted by (Untary, 2015) Internal control consists of policies and procedures used to achieve goals and guarantee or provide reliable financial information, as well as ensure compliance with applicable laws and regulations. Therefore, the application of SPI can increase the reliability, objectivity of information, and improve the quality of financial reports.

The application of Government Accounting Standards (SAP) also needs to be carried out for quality financial reports. SAP are accounting principles that must be applied to obtain quality financial reports. Government Regulation Number 71 of 2010 concerning Government Accounting Standards states that financial statements are structured reports regarding the financial position and transactions carried out by a reporting entity. Research (Adhi & Suhardjo, 2013) states that the application of SAP requires every reporting entity, which in this case includes local governments to report the efforts that have been made and the results achieved in the implementation of activities in a systematic and structured manner in a reporting period for the sake of accountability. Management, transparency, balance between generation and performance evaluation. Through the application of SAP, useful financial reports will be prepared. The usefulness of financial statements is determined by the content of the information presented in the financial statements. In order for the financial statements to contain meaningful information, the financial statements must be prepared based on SAP.

Slawi – The Examining Agency (BPK) of the Republic of Indonesia, Central Java Representative, gave an unqualified assessment (WTP) of the Tegal Regency Regional Government Financial Reports (LKPD) in 2020. This was quite revealed during the 2020 LKPD Examination Result Report (LHP) submission. In the hall of the BPK RI Central Java representative office, Monday (25/05/2021) afternoon.

<http://setda.tegalkab.go.id/2021/05/25/kelima-kalinya-pemkab-tegal-raih-opini-wajar-without-exception/>.

The above phenomenon shows that the competence of human resources in government agencies has an effect on the quality of financial reports so that local governments can obtain WTP opinion awards on their LKPD.

The object of this research is the employees of the local government of Tegal Regency. Tegal Regency can generate significant regional income so that the management of its regional financial statements must be carried out in an accountable manner.

## 2 Literature Review

### 2.1 Local Government Financial Report

Regional government financial reports are accountability reports for the implementation of regional revenue and expenditure budgets which include budget realization reports, balance sheets, cash flow reports, and notes on financial statements within a certain period. Nurillah (2014) states that 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 (Sukmaningrum, 2012) states that financial statements also have a general purpose, namely predictive and prospective roles, providing useful information to predict the amount of resources generated from and for sustainable operations, as well as the associated risks and uncertainties.

## 2.2 Human Resources Competence

Human resources are people who are ready, willing and able to contribute in an effort to achieve organizational goals, human resources cover three aspects, namely education, experience and training. Human resource competence includes its capacity, namely the ability of a person or individual, an organization (institutional), or a system to carry out its functions or authority to achieve its goals effectively and efficiently. Capacity must be seen as the ability to achieve performance, to produce outputs and outcomes (Nurillah, 2014). Humans are responsible for managing the organization, therefore human resources are an important element and always exist in the organization (Hullah & Pontoh, 2017).

## 2.3 Information Technology System

Information technology systems can be interpreted as a technology used to process data, including processing, obtaining, compiling, storing, manipulating data in various ways to create quality information, namely information that is relevant, accurate and timely, which is used for personal purposes, business, and government and is strategic information for decision making. According to (Hartono, 1995), technology is a tool used by individuals in completing their tasks, in the context of information systems, technology related to computer systems (hardware, software, data) and the use of support services (training) that provide guidance for use in completing tasks. Duty.

## 2.4 Internal Control System

The internal control system in a nutshell is the policies and procedures designed to provide management with reasonable assurance that the organization is achieving its goals and objectives (Rai, 2008). Based on government regulation no. 60 of 2008 concerning the Government's Internal Control System, the government's internal control system is an integral process for activities and actions carried out continuously by the leadership and the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets, and compliance with legislation.

## 2.5 Government Accounting Standards

Government Accounting Standards regulate the presentation of financial statements for general purposes in order to increase the comparability of financial statements both against budgets, between periods, and between entities. General purpose financial statements are financial statements that are intended to meet the common needs of most report users. To achieve this, the Government Accounting Standards stipulates all considerations in the context of the presentation of financial statements, guidelines for the structure of financial statements and the minimum requirements for the contents of financial statements (Zeyn, 2011).

### 3 Research Method

#### 3.1 Population Dan Sample

Population is the sum of all objects (units/individuals) whose characteristics are to be estimated. The population in this study were employees of Regional Apparatus Organizations (OPD) in Tegal Regency. The sample is a number of individuals who are representative of the population. The sample in this study used the proportional stratified random sampling method. Proportional stratified random sampling is a sampling method by taking samples from the population randomly and proportionally stratified (Sugiyono, 2007). The sample in this study were finance and accounting staff at OPD Tegal Regency. The OPDs studied were 39 OPDs using 100 respondents who were finance and accounting staff at the Tegal Regency Regional Apparatus Organization (OPD).

#### 3.2 Data Types and Sources

This research is quantitative research. This type of research data is primary data, namely research data obtained or collected through google forms. While the data sources in this study were obtained from the answers to the questionnaires distributed to respondents.

#### 3.3 Data Analysis Technique

Testing this hypothesis is done by using multiple linear regression analysis method which aims to test the relationship between one variable and another. Multiple linear regression analysis used can be formulated as follows:

$$KLK = \alpha + \beta_1 KSDM + \beta_2 STI + \beta_3 SPI + \beta_4 SAP + \varepsilon \quad (1)$$

Information:

- KLK: Quality of Financial Report
- KSDM: Human Resources Competence
- STI: Information Technology System
- SPI: Internal Control System
- SAP: Government Accounting Standard
- $\alpha$ : Constant
- $\beta$ : Regression Coefficient
- $\varepsilon$ : Error.

### 4 Result and Discussion

#### 4.1 Multiple Linear Regression Analysis

The multiple linear regression model in this study is shown as follows (Table 1).

The regression equation is as follows:

$$KLK = 3.376 - 0.008(KSDM) + 0.364(STI) + 0.385(SPI) + 0.100(SAP) + e$$

Hypothesis test:

**Table 1.** Multiple Linear Regression Test Results

Model	B	Std Error	t-count	Sig.
(Constant)	3.376	2.793	1.337	0.184
KSDM	-0.008	0.077	-0.105	0.917
STI	0.364	0.114	3.201	0.002
SPI	0.385	0.085	4.539	0.000
SAP	0.100	0.064	1.558	0.122

Note(s): R-Square = 0.558; F-Stat = 31,618; Adjusted R-Square = 0.541;  $\alpha = 0.05$

Source: Primary data processed by the author, 2022

- 1) that the competence of human resources, information technology systems, internal control systems and government accounting systems increases, the quality of financial reports will increase.
- 2) Statistically the regression coefficient of human resource competence shows a negative coefficient of  $-0.008$ , thus it can be seen that human resource competence reduces the quality of financial reports.
- 3) Statistically the regression coefficient of the information technology system shows a positive coefficient of  $0.364$ . Thus, it can be seen that the information technology system is able to improve the quality of financial reports.
- 4) Based on the table shows the probability value of  $0.000$  which means it is smaller than the significance level =  $0.05$ , so it can be concluded that all independent variables simultaneously affect the dependent variable. This also shows that the regression model used is goodness of fit.
- 5) Statistically the regression coefficient of the internal control system shows a positive coefficient of  $0.385$ , thus it can be seen that the internal control system is able to improve the quality of financial reports.
- 6) Statistically the regression coefficient of the government accounting system shows a positive coefficient of  $0.100$ , thus it can be seen that the government accounting system is able to improve the quality of financial reports.

## 4.2 F Test

To test the significance (significance) of the multiple correlation coefficient, the F test must be used. The results are as follows (Table 2).

## 4.3 Coefficient of Determination (R<sup>2</sup>)

The coefficient of determination is used to determine how much the variance of the dependent variable can be explained by the independent variable. The results of the calculation of the coefficient of determination (R<sup>2</sup>) can be seen in the following Table 3.

Statistically the calculation results for the R<sup>2</sup> value obtained in the multiple regression analysis obtained the coefficient of determination with an adjusted-R<sup>2</sup> of  $0.541$ . This

**Table 2.** F test result

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	617.392	4	154.348	31.618	0.000
	Residual	488.170	100	4.882		
	Total	1105.562	104			

Source: Primary data processed by the author, 2022

**Table 3.** Coefficient of determination result ( $R^2$ )

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.747	0.558	0.541	2.209

Source: Primary data processed by the author, 2022

means that 54.1% of the variation in the quality of financial statements can be explained by the competence of human resources, information technology systems, internal control systems and government accounting systems, while the remaining 45.9% is explained by other factors outside the model studied.

#### 4.4 Test Statistic t

The t statistic test shows the level of influence on one independent variable individually in explaining the dependent variable. This test aims to test the significance of the effect of each independent variable on the dependent variable. The results of the t test test are described in Table 1 which shows the following:

a. First Hypothesis Test Result ( $H_1$ )

Based on the t-test of the human resource competence variable, it is known that the tcount value is  $-0.105$  while the ttable value with a 95% confidence level or ( $\alpha: 0.05$ ) is 1.660 because  $tcount < ttable$  and the significant value is  $0.917 > 0.05$ , thus  $H_1$  which states that the competence of human resources has no effect on the quality of financial statements is rejected. It can be interpreted that the competence of human resources has no significant effect on the quality of financial reports.

b. Second Hypothesis Test Result ( $H_2$ )

Based on the t-test of the information technology system variable, it is known that the tcount value is 3.201 while the magnitude of the ttable value with a 95% confidence level or ( $\alpha: 0.05$ ) is 1.660 because  $tcount > ttable$  and a significant value of  $0.002 < 0.05$ , thus  $H_2$  which states that information technology systems affect the quality of financial reports received. It can be interpreted that the information technology system has a significant effect on the quality of financial reports.

c. Third Hypothesis Test Result ( $H_3$ )

Based on the t-test of the internal control system variable, it is known that the tcount value is 4.539 while the value of ttable with a 95% confidence level or ( $\alpha:$

0.05) is 1.660 because  $t_{count} > t_{table}$  and a significant value of  $0.000 < 0.05$ , thus H3 which states that the internal control system affects the quality of financial reports is accepted. It can be interpreted that the internal control system has a significant effect on the quality of financial reports.

d. Fourth Hypothesis Test Result (H<sub>4</sub>)

Based on the t-test of the government accounting system variable, it is known that the tcount value is 1.558 while the value of ttable with a 95% confidence level or ( $\alpha: 0.05$ ) is 1.660 because  $t_{count} < t_{table}$  and a significant value of  $0.122 > 0.05$ , thus H4 which states that the government accounting system has no effect on the quality of financial statements is rejected. It can be interpreted that the government accounting system has no significant effect on the quality of financial reports.

## 5 Conclusions and Suggestions

### 5.1 Conclusions

This study aims to examine the competence of human resources, information technology systems, internal control systems and government accounting standards on the quality of local government financial reports. The sample in this study was 105 respondents in the regional apparatus organization of Tegal Regency. Based on the results of the study as described in the previous chapter, several conclusions can be drawn, namely:

1. Competence of human resources has no significant effect on the quality of local government financial reports or the first hypothesis is rejected.
2. Information technology systems have a significant effect on the quality of local government financial reports or the second hypothesis is accepted.
3. The internal control system has a significant effect on the quality of local government financial reports or the third hypothesis is accepted.
4. Government accounting standards have no significant effect on the quality of local government financial reports or the fourth hypothesis is rejected.

### 5.2 Suggestion

1. This research needs to be developed by adding other variables to add a detailed explanation of the quality of financial reports.
2. Research needs to be expanded by conducting research in Central Java districts in order to provide a more complete explanation related to the level of understanding of accounting.

Further research needs to use data collection methods in other ways so that the data obtained is more reliable and accurate.



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