

Effect of Competence and Independence of Intern Auditor and Competence of Human Resource on the Quality of Financial Reporting at the Provincial Government and Municipal Government in Jakarta

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Abstract—This study aimed to examine the effect of competence and independence of the intern auditor and human resource competence on the quality of financial reporting provincial government and city/municipal governments through the method of data collection questionnaire. Questionnaires will be distributed to the people involved in the financial reporting of the government as part of the budget / accounting (Bapeksda) and part examiner (inspectorate) especially in local government and provincial government of Jakarta. Furthermore, based on these results it will be able to increase the competence and independence intern auditor and human resource competence in processing the financial statements of government so that the quality of financial reporting and provincial government reached. The method used is to conduct a survey to the provincial government and the city government of Jakarta, by distributing questionnaires to part of the budget / accounting and part of the examiner or the intern auditor of government (Inspectorate). Measurement of independent variables by using the dimensions of the human resource competence, competence and independence of the Intern Auditor of the dimensions are used the indicators to be measured using a Likert scale. Similarly, the dependent variable is also using the dimensions of the quality of financial reporting, use the indicators to be measured using a Likert scale Likert. Scale using a scale of 5 4 3 2 1.

Keywords—*competence; independence; intern auditor; hu resource; quality of financial reporting*

I. INTRODUCTION

Quality of financial reporting that will generate quality of accounting information. According to Hadi, Chairman of the supreme audit board of Jakarta several factors that led to the financial statements of the Ministry / Agency and the local government has not yet obtained an unqualified opinion is due to [1]: 1) The presentation that is not fully compliant government accounting standard; 2) weakness of internal control system; 3) not well-organized property of the State / region in an orderly manner yet; 4) preparation of items that have not followed the applicable regulations, and 5)

inadequate capacity and financial manager. Constraints faced in the early years of these were related to the accounting system and financial reporting, such as preparing legislation, systems, and infrastructure is not perfect, the lack of commitment of the leadership of Finance / Institution, the large number of work units is about 22,400 who still do not have the competence governmental accounting, as well as the unavailability of sufficient quality of human resources in the fields of finance and accounting. To implement government accounting standard consistent with the desired standards, the necessary change of mindset (mindset), competence, and integrity of all parties involved. The government has and will continue to improve the quality Central Government Finance Institution improving systems and procedures as well as the quality of its human resources. According to Hadi [1], Chairman of the Supreme of Audit Board of Indonesia said that the results of the Supreme Audit Agency over 358 Financial Institution Local Government reported in IHPS 1 in 2011 found 3,397 cases of weaknesses control system (SPI) system includes the system weaknesses accounting controls and weaknesses reporting finance. Then, the interior minister, highlighting the events of the weakness of internal control systems covering system weaknesses accounting controls and weaknesses of financial reporting, that the event signifies the reporting system implementation local finance is likely to be inefficient in terms of both time and budget. Seeing that the minister will target the slowest of 2014, as many as 50% of the total 524 local governments in Indonesia can be awarded an unqualified opinion for the valuation of local government financial statements are fairly poor. Azwar Abu Bakar as the Administrative Reform and Bureaucratic Reform said that the financial reporting system in the area was still bad encourage the initiative of the Minister of Administrative Reform and Bureaucratic Reform that local governments cooperating Financial Supervisory Agency (BPKP) to realize financial governance good in their respective local governments.

Executive Director AAPI, according inaugural Indonesian government internal auditors (AAPI) officials in the Office of the Vice President at Jakarta, said that 94 percent of

Government Internal Supervisory Apparatus (APIP) in the center and regions can not detect the occurrence of corruption. Of the five levels in the IACM approach, 93.96 percent of the supervisor at the level of one and only 5.74 percent in the second level, while only one APIPs at level III [2]. Level one does not have the ability to detect corruption. This capability is owned as level II and above. Level one is not able to detect the level of corruption in the K / L. It would be reasonable if the internal K / L can not detect corruption, because not afford. AAPII Advisory Board as well as Head of BPK Mardiasmo say, the poor quality of the government auditors as a result of the recruitment of auditors in the past.

According to Mardiasmo, Association of Indonesian Government Intern Auditor of Indonesia Advisory Board as well as Head of the supreme audit board of Indonesia said that the poor quality of the government auditors as a result of the recruitment of auditors in the past. Previous discharges (employees who rated poorly placed as an intern watchdog) [2]. Besides the placement of the intern auditor is also not based on skills and abilities. Internal Control Systems Government bill, according to Mardiasmo, A head of the supreme audit board of Indonesia will set the foundations of the internal auditor profession that emphasizes independence and professionalism [2]. This profession will join in AAIP and certified. "Internal auditors should be competent future marked by the certification." The executive director of the Association of Indonesian Government Intern Auditors (AAPII) stated that the government was committed to combating Although corruption in its ranks, but it turns out the government's own intern auditors is currently in limited quality [3]. Various phenomna that occur on that cause the quality of financial reporting bad is determined in part by the quality of services the intern auditor, that the auditor Intern must have the mental attitude of objective, impartial and avoid potential conflicts of interest (conflict of interest). Research conducted by Fadilah ho found that the result of research on the testing of the first to show that the competence of human resources affects the quality of financial management and the financial statements of the second test showed that internal controls affect the quality of financial reporting [4].

Under these conditions, the intern auditor has a duty to maintain the quality of financial reporting resulting to be accountable to management. Attitudes are not easily influenced and impartial at anyone it is important for self-auditor [4] linkage competence and independence of the intern auditor of the financial statements expressed in by Rezaee that Conceptually there are a variety of factors determine the quality of financial reporting that suggested six (6) factors that determine the quality of financial reporting, namely [5]: board of directors, intern auditors, Audit Committee, extern auditors, the top management team, governing bodies. Then, the quality of financial reporting including the reliability of financial statements. Free of misstatements, errors and irregularities, it can be achieved when striking a balance function of the system of corporate governance or government.

Research on the effect of the independence of the intern auditor of the quality of financial reporting scrutinized by Hidayat which states that the Auditor independency, company age and operation cycle of company has significant influence

to quality of company financial reporting. And together all the regressors have significantly on quality of company financial reporting [6]. According to Payamta, which states that the quality of auditors and auditor independence affects the quality of financial reporting [7].

II. METHOD

A. *Object of research*

The object of research is variable and concepts which we will examine. According to Sugiama, suggests that the object of research that has been abstracted into concepts or variables [8]. The object of this research is the competence of intern auditor, independence of intern auditor, competence of human resouces and quality of financial reporting.

B. *Methods Used*

This study used a qualitative research approach. This means that the data and analysis is based on figures which are then calculated statistically, so that the meaning and inference results also based on the results of statistical analysis [9]. This type of research that is selected is scientific research, in other words, this study was conducted to increase understanding of the particular problems that often occur in the context of the organization and are looking for methods to solve it, because it's all steps followed in this study through a research process that uses the criteria of scientific research [10]. Type of survey is a survey conducted explanatory meaning explain the causal relationship between the variables through hypothesis testing.

C. *Variable operationalization*

This study analyzes the exogenous and endogenous variables. Penelitiann exogenous variable in this is the competence of the intern auditor, intern auditor independence, while the endogenous variable is the quality of financial reporting. In order to clarify the filing of the hypothesis that these variables need to be defined so that these variables can be operationalized describes as follows: "Operationalizing or operationally defining a concept to render it measurable, is done by looking at the behavioral dimensions, facets, or properties denoted by the concept. These are then translated into observable and measurable elements so as to develop an index of measurement of the concept." From these statements it is known that the operation or operationally define the concept to make something measurable, is done by looking at the dimensions of behavior, aspect, or the nature of which is symbolized by the concept, and then translated into elements that can be observed and measured so as to develop an index measurement of a concept. "Operational definitions of variables in this study are:

1) *Competence intern auditor who is a variable X1*

Competency Internal auditors apply the knowledge, skills, and experience needed in the implementation of the internal audit services [11].

2) *The independence of the intern auditor who is a variable X2*

Mulyadi states that "The independence means mental attitude that can not be influenced, not controlled by the other

party, does not depend on other parties, independence means that their honesty in the auditor in considering the facts and the consideration of objective impartiality within the auditor in formulating and expressed the opinion." [12].

3) *The quality of financial reporting is a variable Y*

The quality of financial reporting including the reliability of financial statements. Free of misstatements, errors and irregularities, it can be achieved when striking a balance function of the system of corporate governance or government.

D. *Population and Sample Research*

The population in this study is the Inspectorate Internal Auditor and Assistant City Provincial Government of Jakarta, the government has implemented financial reporting. Selection of the target respondents are internal auditors who are directly involved in the process of formulation, implementation, reporting and review of financial statement information at Provincial Government and the City government in Jakarta.

Respondents are expected to fill this questionnaire is on the whole intern auditor at the Inspectorate and the Provincial Government of Jakarta Vice City, the existing intern auditors are as follows: The target of the questionnaire respondents minimal returns dalah 10% of each of the provincial government and the Jakarta administration. Criteria point of the research is: the provincial government and city government of Jakarta. In the framework of data collection, the sampling technique used in this study using simple random sampling method. According to Bailey, simple random sampling or simple random sample is a simple sampling and randomly from the population [14]. Sugiyono also says simple random sampling is a sampling technique of members of the population was randomly without regard to strata that exist in this population [13].

E. *Data Collection Method*

Sources of data required in this study was obtained through:

1) *The field research (field research)*

Through this research are expected to obtain primary data, ie data obtained through a list of statements addressed to the respondent and the form of observations directly to the company.

2) *The research literature (library research)*

To supplement the primary data also secondary data obtained from the library, like text books, journals and magazines that support research.

3) *Testing Data Method*

In testing the hypothesis, the data collected will be analyzed using a specific method. The research data was obtained by submitting a list of these questions is a measure that will be tested. All data obtained from the respondents in advance via a questionnaire, the answers of the respondents to this question is a measure that will be tested. Against all the data obtained from the respondents would first be tested for

validity and reliability due to the questionnaire testing the important thing is to test the validity and reliability.

F. *Draft Analysis and Testing Hypotheses*

1) *Design Analysis.*

This study analyzed the pattern of causal relationships between variables in order to determine the direct effect of a set of variables against a set of variable cause and effect. Thus the research analysis method used in this research is multiple regression analysis.

2) *Specifications Model*

Model study is a multiple regression model.

$$Y = a + BX_1 + BX_2$$

3) *Hypothesis testing*

To test the hypothesis satu then tests were conducted simultaneous testing. simultaneous testing: effect of competence and independence of the intern auditor on quality of financial report.

III. RESULTS AND DISCUSSION

A. *Effect of competence and independence Intern Auditor on Quality Financial reporting at the Provincial Government and City Government in Jakarta*

Based on descriptive statistics and correlations shows that the magnitude of the relationship with the quality of financial reporting competence is 0.615, the independence of the quality of financial reporting is 0,556. Theoretically for the correlation of competence with greater quality than the variable independence then competence variable has more influence on the quality of financial reporting compared with a variable intern auditor independence.

According to entered/ removed and model summary that R square above figure is 0449. This means that 44.9% of the variable quality of financial reporting can be explained by the variable competence, independence and profesionalisme intern auditor. While the remaining 55.1% is explained by other causes.

According to the anova result shows based on the results of questionnaires, obtained F count is 27,748 with a significance level of 0.000. Because the probability (0.000) is much smaller than 0.05 then the regression model can be used to predict the quality of financial reporting. Or it can be said that the variable competence and independence of the internal auditor jointly affect the quality of financial reporting.

B. *Effect of Competence and Independence of the Internal Auditor and Human resource Competency on Quality of Financial Reporting*

According to correlation testing between the competence and independence of the Intern Auditoras and Human Resource Competency is for 0805 is strong and direct or positive.

Based on table above shows that the multiple regression model is significant. According to anova that competence and

independence of the Intern Auditor significant positive effect on the quality of financial reporting, while the Human Resource Competency not significant effect on Quality of Financial Reporting. This is due to Human Resource during these hold financial reporting do not have the credentials or diploma accountant or other words that make the financial statements not accounting background. Financial reporting in the Provincial Government and the city Government of Jakarta, recently, 6 months accountants perform certification for preparers of financial statements. Due to the above problems caused by the human resource Competency is an accountant who certified accounting has not influenced the quality of financial reporting or ignored, because the HR Competency role in this regard has not been a lot to obtain the certification Accountant.

C. Effect of Competence and Independence Intern Auditor on the Quality of Financial Reporting.

Competence is the knowledge and skills necessary to accomplish tasks that define the individual work. Commitment to competence includes management's consideration of the competence levels for particular jobs and how the transfer rate is translated into the necessary skills and knowledge [14].

Factor "quality of external governance mechanisms (i.e. auditquality)" is proxied by the intern auditor service quality is competence with regard to education, skills and proficiency and skill positions [15]. In addition to competence, Independence is also a factor that affects the quality of financial reporting proxied by the intern auditor service quality. Then, he stated that the competence and independence affect the quality of financial reporting. These statements have been demonstrated in this study, where the results of the study found that the competence and independence of the internal auditor affect the quality of financial reporting is a significant positive. These results indicate that 44.9% of the variable quality of financial reporting can be explained by the variable competence, independence of internal auditors. While the remaining 55.1% is explained by reasons lain. Hasil these studies show that the competence and independence of the internal auditor together

D. Effect of Competence and independence of the Intern Auditor and Human Resource Competency on quality of financial reporting.

According to Rahmawati, with the title: "Effect of human resource capacity of the quality of financial reporting," which suggests that the placement of employees as educational background, the employee educational background economic accounting as a staff making up the financial statements would make the financial statements produced quality [16]. The quality of a Financial Report is a combination of the quality of the parts of the financial statements, one of which is the quality of the balance sheet in the Financial Statements.

According to Andriani, with the title: "The influence of the human factor on the quality of financial statements," which revealed the existence of a significant effect on the quality of human resources and the timeliness of financial reports to reability of Government Financial Statements area [17].

Accordding to Mahardika, which revealed the existence of a positive and significant influence of the human factor on the timeliness of financial reporting [18]. According to Xu, examined the key factors of the quality of accounting information of case studies in Australia [19]. Research results expressed human resources, systems, organizations, and external factors is a critical factor determining the quality of accounting information.

According to Indriasari, with the title: "Influence of capacity Human resources, utilization of information technology, accounting and internal control of financial reporting information on the value of the local government (government study in the city of Palembang and Ogan Ilir regency) human resource capacity and utilization of information technology a significant effect on the timeliness of financial reporting of local government [20].

According to Indriasari, with the title: "Effect of human resources and the utilization of information technologyto the reliability and timeliness of financial reporting by local governments intervening variable accounting internal control [20]. They examined the effect of human resources and information technology utilization reliability and timeliness of financial reporting by local governments intervening variable internal accounting controls. Research results expressed human resources significant positive effect on the reliability of financial reporting of the local government, but no significant effect on the timeliness.

According to Komara In Journal of Management, Accounting and Information Systems with the title: "Analysis of Factors affecting performance Information Systems [21].

"The result of partial regression test shows that involvement variable, organization size, top management support, and formalization have a significant effect to the users' satisfaction. Besides, involvement variable, capability, and top management support affect significantly to the use of AIS. Meanwhile, on the simultaneity test, all independent variables perceived to have an effect on the AIS performance. Furthermore, coefficient of determination for users' satisfaction variable (Y 1) and the system use (Y2) is 41.2% and 32.4% accordingly. On difference test using Mann Whitney U-test is to be found evidence that there is no difference of AIS performance in line with whether or not there is a steering committee, user training and education program, and the independence or dependence of the IS department. The result of the research heralds three implications for the hereinafter research. First, some variables of organizational context and moderating variables require to be entangled. Second, it needs exploration and definition of techniques and approaches for user training and education program. Third, it needs elaboration of special purpose of the software developed by the respondents.

Based on the description above, in this study does not support previous research because of Competence Accountantin the Provincial and the city government effect is not significant. As for competence and independence of the Intern Auditor supports earlier studies.

IV. CONCLUSION

The conclusion that can be drawn from this study are:

- Competence and independence of the Intern Auditor together to the quality of financial reporting. Quality of Financial Reporting will add value to the provincial government and the city of Jakarta when intern auditors have the competence and independence in the process of making or review of financial reporting.
- Human Resource Competency variables not significant effect on the quality of financial reporting, due to new approximately 6 months for Accountants certification implemented, in order to achieve quality financial reporting.

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