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THE FACTORS AFFECTING LOCAL GOVERNMENT FINANCIAL
STATEMENT QUALITY AT SKPD BANDUNG

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ABSTRACT

Based on PP. 71 of 2010, central and local government reports must be reliable, relevant, comparable and understandable. The quality of government financial reports is strongly influenced by the competence of human resources and the regional financial accounting system. The competence of human resources is measured by knowledge, skill and attitude. The regional financial accounting system is measured by the implementation of SAP and government financial statement procedures. Data collection was done by giving a questionnaire to all SKPD located in Bandung City Government. Based on respondent questionnaires, all data are tested for validity and reliability. If all data were valid and reliable, we continued to the classical assumption test. Finally, we calculated F-tests, t-tests and multiple linear regression. The test results show that the competence of human resources does not affect the quality of financial statements. This is due to one indicator of knowledge that shows the lack of human resources regarding knowledge. Regional Financial Accounting System does not affect the financial statements can be seen from not well-implemented procedures in the Regional Financial Accounting System.

INTRODUCTION

Indonesian government organizations are now characterized by the emergence of a phenomenon of strengthening the accountability demands of these organizations, both central and local. Accountability demands are related to the need for transparency and the provision of information to the public in the form of financial statements.

In local government, financial reporting is made by each Regional Device Work Unit (SKPD). An accountability report on local financial management during one budget year is in the form of a Local Government Financial Statement (LKPD). The quality of financial statements can be seen from the audit opinion received by the Regional Government.

According to BPK (2012), in the period of 2008-2011 there was a decrease in the quality of local government financial statements in West Java. Since 2008, there has not been a single local government that received an Unqualified opinion (WTP). Even the number of areas not given an opinion by the Supreme Audit Agency (BPK) or disclaimer increased. An opinion disclaimer is given to the financial statements when the Supreme Audit Agency has difficulty in applying the audit procedures on several posts presented. The low quality of financial statements is generally due to the preparation of financial statements that have not met the government accounting standards.

Nevertheless, the quality of local government financial reports continued to improve in the period of 2014-2015. Based on the 2009 BPK data, the WTP opinion was given to 15 out of 504 regions, or about 3%. By 2013, the WTP opinion was given to 153 of the 456 regions or about 33%. This is an indication of the better quality of local government financial reports.

From the Overview of BPK Audit 2016, it can be seen that, although the financial statements of the West Java province received the WTP audit opinion consecutively for 5 years, in the cities and regency of West Java there are still many who did not receive the WTP in 2015. Bandung city, the capital of West Java, has excellent potential and has become one of the economic centres in the country of Indonesia, but its financial management is still not in line with expectations.

The following opinion of The Audit Board of The Republic of Indonesia is called BPK given to the Local Government Financial Statement (LKPD) in Bandung:

Table 1

List of BPK Audit Opinion on LKPD City of Bandung Year 2009 – 2016

No.	Years	BPK Opinion
1.	2009	Disclaimer
2.	2010	Qualified Opinion
3.	2011	Qualified Opinion
4.	2012	Qualified Opinion
5.	2013	Qualified Opinion
6.	2014	Qualified Opinion
7.	2015	Qualified Opinion
8.	2016	Qualified Opinion

Table 1 above shows that BPK gave a No Disclaimer opinion on the city of Bandung in 2009, while in 2010 there was an improvement in the form of a Qualified Opinion. From 2010 until the last Local Financial Report (LKPD) in 2016, Bandung continued to receive a Qualified Opinion.

The accountability report on local financial management during one budget year is in the form of a Local Government Financial Statement (LKPD). Local government financial reports must follow Governmental Accounting Standards in accordance with Government Regulation No. 71 of 2010. The purpose of enacting the regulation is to be more accountable and to improve the quality of financial statements. The quality of government financial reports is strongly influenced by compliance factors with

accounting standards, human resource capabilities, and support of existing accounting systems. According to Nkundabanyanga, Tauringana, Balunywa and Emitu (2013), despite the existence of both the legal framework and accounting standards for accounting and financial reporting, concerns have been expressed regarding the quality of accounting in government ministries. The theoretical reasoning behind these studies is that since International Accounting Standards (IASs) [2] limit alternatives available to managers, this should increase accounting quality, because doing so provides investors with useful information to aid their decision making (Barth, Landsman & Lang, 2008).

In November 2015, the Supreme Audit Agency (BPK) issued its opinion on "Government Readiness in Accrual Based Financial Reporting in 2015". This BPK opinion is based on the results of BPK audits in 2014 and 2015 on the effectiveness of government efforts in applying the Accounting Standards of Government (SAP) based on accruals in order to formulate the accountability of APBN / APBD in 2015. In giving of opinion, there is some subject matter that is:

1. There is no comprehensive strategy in the application of accrual basis financial reporting.
2. Unclear policies regarding restatement of the accrual-based 2014 financial statements.
3. Unprepared human resources and application systems to support the implementation of accrual basis financial reporting.
4. Not yet complete the regulatory tools used by the government in the application of accrual basis financial reporting.
5. Implementation of independent assessment of control as a strategy of strengthening internal control instruments in financial reporting.

Based on the opinion of the Supreme Audit Agency (BPK), there is some principal analysis of problems that occur in the local government regarding the readiness of government in accrual-based financial reporting such as human resources (HR). In the formation of financial statements require skilled human resources (HR) that the resulting report has a good quality. Similarly, within the scope of government, to produce quality financial reports requires human resources that understand and have competence in government accounting, government finance and organization about the government (Windiausti, 2013). Knowledge, skills and attitude are used to measure competence in human resources.

In relation to the opinion of the Supreme Audit Board (BPK), which argues that the government has not yet completed the regulatory tool used in the implementation of accrual based financial reporting, it is related to the problems in regulation/regulation with regional financial accounting system (SAKD).

Government Regulation of the Republic of Indonesia No. 71 the Year 2010 on Government Accounting Standards explains that the financial statements are structured regarding the financial position and transactions conducted by a reporting entity. Specifically, the government's financial statements have the purpose of presenting information that is useful for decision-making and to demonstrate the accountability of the reporting entity to the entrusted resources. Therefore, the information contained in the financial statements of the government should pay attention to the

information presented in the financial statements so that in planning, controlling, and decision-making can be practised well. The regional financial accounting system will be measured by the implementation of SAP and government financial accounting procedure.

LITERATURE REVIEW

Quality of Financial Statement

In the private sector, the quality of financial statements can be seen only from the quantitative financial statements that are usually reflected in the profit, whereas in the public sector the assessment of the quality of the financial statements cannot be rated only from the financial statements produced or from quantitative factors. Rating from the components of the financial statements between the private sector and the public sector, the components in the public sector financial report are indeed more complex, resulting in differences in perceptions of the quality of financial statements.

In its development has produced several studies related to the quality of public sector financial reports both inside and outside the country. Given that the regulation of governance in Indonesia is different from other countries, and the standards that become the reference are different, allowing for a significant difference in the results of the analysis.

The presentation of financial statements as an accountability report for the implementation of APBN / APBD is required for each period of a budget year of APBN / APBD, where within 1 (one) budget year is commencing from 1 January to 31 December (Mursyidi, 2013). As explained in the Conceptual Framework of Government Regulation Number 71 of 2010 on Government Accounting Standards, the financial statements are prepared to provide relevant information on the financial position and all transactions conducted by a reporting entity during the reporting period.

Characteristics used to measure the government's financial report to meet the normal quality are as follows. (1) Relevant, which refers to whether information has benefits, in accordance with the actions performed by users of financial statements. (2) Reliable, which refers to the reliability of the information, which depends heavily on the ability of the information to present reasonably the actual circumstances or events. (3) Comparable, which refers to whether the information is comparable between periods and between entity. (4) Understandable, which refers to whether the information can be easily understood by the user and expressed in terms adjusted to user usage restrictions.

Xu, Nord, Nord, and Lin (2003) examine the key factors of case study accounting quality in Australia. The results of their research state that one of the variables of human resources, which is a critical factor determining the quality of accounting information, is the quality of financial statements.

Human Resources Competence

In the scope of government, the production of quality financial reports requires human resources that understand and have competence in government accounting, government finance and government organization (Windiastuti, 2013).

Efforts to develop the apparatus resources can also be applied through a training program, as stated in Law Number 43 the Year 1999, Article 31, and

then renewed by Government Regulation Number 101 of 2000 on the Civil Servant Employment Training (Civil Servant) 2, stating that the training aims to achieve the following aims: to improve the knowledge, skills and attitudes to be able to carry out professional office duties based on the personality and ethics of civil servants in accordance with the needs of agencies, creating an apparatus capable of acting as a reformer and unifier of the nation, strengthening the attitude and spirit of service-oriented devotion to service, empowerment and community empowerment, and to create the same vision and dynamics of mindset in carrying out the tasks of general government and development for the realization of good governance (Zainun, 2001).

The indicators used to measure the human resource variables of the government apparatus in this study refer to Robbins and Judge (2015). According to Robbins and Judge (2015), human resources are strongly related to the ability of individuals to perform various tasks in a job. Ability is determined by two sets of factors, namely intellectual ability and physical ability. The ability of users of this system is seen from knowledge, attitude and skill.

Based on this indicator will be seen whether the measurement of Human Resources according to knowledge, attitude and skills can be applied in the measurement of human resources as regulated in Government Regulation No. 101 of 2010.

Regional Financial Accounting System

The regional financial accounting system has the objective of providing complete and accurate financial information to present reliable, accountable reports and can also be used by various parties in need. Indonesia initially used the cash basis. At the low level, the full use of the accrual basis began in 2008. It turns out that in practice to achieve the goal requires a long way. In 2005, the government established PP 24/2001 on Government Accounting Standards. According to the PP, Indonesian government accounting uses the cash basis toward accrual, which uses the cash basis for revenue recognition, expenditure and financing in the Budget Realization Report and the accrual basis for asset, liability and equity recognition in the Balance Sheet. This practice uses a modified accounting basis. PP no. 24/2005 continued to be used until 2010, marked by the release of PP substitute PP no. 71/2010 which means the government implements the accrual basis. In this research, the indicator used is based on PP. 71/2010, consisting of (1) the conformity of the Financial Accounting System with SAP and (2) the accounting process in accordance with local financial accounting procedures.

MATERIALS AND METHODS

This study aims to test the variables Human Resource Competence and Regional Financial Accounting System to variable quality of financial statement. The approach used in this research is quantitative, because the research emphasizes the testing of theories through the measurement of independent variables and dependent variables with numbers and performs data analysis with statistical procedures (Sugiyono, 2011). The population in this study is the SKPD Government of Cimahi city as much as 32 SKPD. The study used a questionnaire to be given to the respondents in each SKPD in the Government of Cimahi.

The measurement of variables in this study using the classical assumption tests, including normality testing, autocorrelation test, multicollinearity test, and heteroscedasticity test. Meanwhile, the regression analysis test in the research includes the determination coefficient test (R²), the simultaneous influence test (F test) and the test of individual parameter significance (Test Statistic t). The multiple regression test aims to determine the effect of the variables Human Resource Competence and Regional Financial Accounting System on the variable quality of financial statements.

RESULTS AND DISCUSSIONS

The research model is processed by using multiple linear regression, which first tested the validity and reliability, and then all the data that passed the validity and reliability tests were included in the next analysis. We then tested the classical assumptions, including normality test, autocorrelation test, multicollinearity test and heteroscedasticity test, as follows:

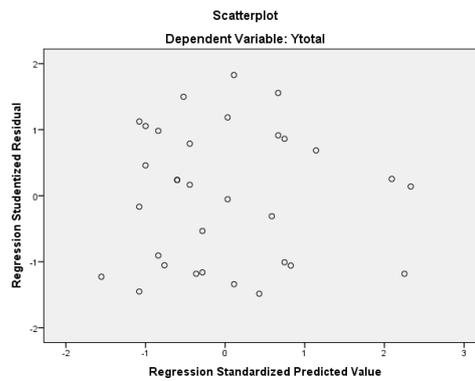


Figure 1. Distribution of Kolmogorov-Smirnov Normality Test

Based on the histogram image in the normality test, we find that the data obtained are normally distributed; it can be seen from the image that the data spread around the diagonal line and follow the direction of the diagonal line.

Table 1
Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.423 ^a	.179	.122	1.64764	1.228

The results of autocorrelation test showed no positive autocorrelation, which means that the regression model of this research is free from autocorrelation.

Table 2
Multicollinearity Test

Model	T	Sig	Collinearity Statistics	
			Tolerance	VIF
(Constant)	5.298	.000		
X ₁ Human Resource Competence	1.013	1.013	.507	1.972
X ₂ Regional Financial Accounting System	.927	.927	.507	1.972

Based on the multicollinearity test with varian Value of Inflation Factor (VIF) 1.972 less than 0.10, as shown in Table 2, it can be concluded that there is no multicollinearity among the independent variables in the regression model.

Table 3

Heteroscedastisity Test

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig
	B	Std. Error			
(Constant)	28.174	5.318		5.298	.000
Human Resource Competence (X ₁)	.177	.174	.239	1.013	.319
Regional Financial Accounting System (X ₂)	.118	.127	.219	.927	.362

a. Dependent Variable: Y (Quality of Financial Statement)

Regression model, in table 3 heteroscedasticity, where the level of significance for all variables above the value of 0.05 or 5%, it is independent variable free from the problem of heteroscedasticity.

A simultaneous test is used to test the influence of the Independent variable of Human Resource Competence and Regional Financial Accounting System simultaneously have a positive effect on Quality of Financial Statement variable.

Table 4

Simultaneous Test Results (F Test)

Model	Sum of Squares	Df	Mean Square	F	Sig
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Regression	17.149	2	8.574	3.158	.057 ^b
Residual	78.726	29	2.715		
Total	95.875	31			
a. Dependent Variable: Y Quality of Financial Statement					
b. Predictors: (Constant), X₂ Regional Financial Accounting System, X₁ Human Resource Competence					

The simultaneous test shows that the magnitude of F count value 3.158 is stated with positive sign, while the value statistically shows α 0.05 with a significance value equal to 0.57, <0.05. Meanwhile, views of the value of F table to calculate F, then F count (3,158) <F Table (3:32), it can be concluded that the test to be accepted variables.

Table 5
Partial Test Results (T Test)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	28.174	5.318		5.298	.000
Human Resource Competence (X₁)	.177	.174	.239	1.013	.319
Regional Financial Accounting System (X₂)	.118	.127	.219	.927	.362

b. Dependent Variable: Y (Quality of Financial Statement)

Based on the results of partial test (Test T) in Table 5, as follows:

1. The value for the human resource competence variable is 0.177; this means any addition of human resource competence will be able to improve the quality of financial statements by 0.177 with a t value of 1.013 and significance of 0.319 is above 0.05 that human resource competence variable does not affect the quality of financial statement.
2. For regional variables financial accounting system with a value of 0.118, this means showing any addition of quality of financial accounting system of 0.118 with a value of 0.927 and 0.362 value of significance is above 0.05, the regional automotive financial accounting system does not affect the quality of financial statement.

This shows that the competence of human resources cannot cover the needs of workers viewed in terms of knowledge, skill and attitude. The relationship of human resource competence shows a positive and insignificant relation to the Quality of Financial Statement, which indicates that it takes the ability, skill and training program for city government employees to control the science of accounting or finance to produce the quality of financial statements in accordance with Government Accounting Standards.

The statistic shows that human resource competency has no effect on the quality of financial statements. The questionnaires indicate that for the indicator of knowledge indicates human resources competency do not need to know to account. This shows that not all human resources have financial / accounting knowledge, which is the basis for preparing financial statements. So that with the least human resources have no financial / accounting knowledge resulted in them have not been able to make the required journals. Based on this, it can be seen that the primary factor in the competence of human resources is knowledge. Without supportive knowledge, good-quality financial statements cannot be produced. Financial Reports can be completed but require considerable time. It will be the indicator of governmental financial statement quality not being fulfilled.

In fact, local governments implement promotional and mutation policies only to fill vacancies and do not relate to the needs of human resources and competencies to support the accrual-based SAP implementation. Even employees who have attended accrual-based SAP training are transferred to work units that are not directly related to the preparation of financial statements.

The lack of knowledge regarding the competency variable of human resources can result in practiced the Regional Financial Accounting System not properly so that with the non-implementation of several regional financial accounting procedures result in the quality of the doubtful financial statements. A positive direction is indicated by several local financial accounting procedures that still apply its transaction proof, recording is practiced chronologically and the classification of each transaction. Implementation of the procedure also supports the implementation of financial statements in accordance with Financial Accounting Standards (SAK) and PP. 71 of 2010.

The regional financial accounting system is measured using SAP implementation and government financial accounting procedures. The result does not can be seen in the indicator of Regional Financial Accounting procedures, for the first statement is the identification of the recording, the second statement of each transaction carried out transaction analysis, and the third statement about the cash procedure has not been applied. This shows that not all local financial accounting procedures have been implemented. Thus, due to the non-implementation of several regional financial accounting procedures, the quality of the financial statements is in doubt. Based on this, it can be seen that the local financial accounting procedures should be applied as a whole.

A positive direction is indicated by several government financial accounting procedures that are still applied, i.e. the existence of transaction evidence, the recording is done chronologically and the classification of each transaction. Implementation of the procedure also supports the implementation of financial statements in accordance with Financial Accounting Standards (SAK) and PP. 71 of 2010.

If local financial accounting procedures has no effect on governmental financial statement quality, one or more of the indicators can be unfulfilling.

CONCLUSIONS

This study uses independent variables of human resource competency as measured by knowledge, skill and attitude, as well as a variable of the regional financial accounting system as measured by the conformity of the Financial Accounting System with SAP, and the accounting process in accordance with local financial accounting procedure. The dependent variable used is the quality of financial statements, measured by whether they are relevant, reliable, comparable and understandable. The results showed that the competence of human resources and the regional financial accounting system do not affect the quality of financial statements.. This result shows that to measure the competence of human resources, knowledge is the most important indicator. Without good knowledge, the financial accounting procedures cannot be appropriately implemented. Can be seen in the indicators of financial accounting procedures, the employee cannot work with the maximum. As such, the government financial accounting procedures do not affect the quality of financial statements. The results of this study show the audit opinion obtained by Bandung City.

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