ANALYSIS OF THE EFFECT OF COMPETENCE OF HUMAN RESOURCES, APPLICATION OF GOVERNMENT ACCOUNTING STANDARDS, REGIONAL ACCOUNTING SYSTEMS AND UTILIZATION OF INFORMATION TECHNOLOGY ON THE QUALITY OF CITY GOVERNMENT FINANCIAL STATEMENTS BINJAI WITH CONTROL SYSTEMS INTERNAL GOVERNMENT AS MODERATING VARIABLES

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Abstract:
This study aims to analyze the influence of competencies in human resources, the application of government accounting standards, regional financial accounting systems and the use of information technology on the quality of Binjai City Government financial reports with the government's internal control system as a moderating variable. This type of research is associative research that is causal. The population and sample in this study were the Heads of Regional Work Units (SKPD), SKPD Financial Administration Officers and Expenditure of SKPD Expenditures totaling 99 (ninety nine) people at 33 (thirty three) SKPDs in Binjai City. Hypothesis testing uses multiple linear regression with a coefficient of determination, F test and t test. The results of this study indicate that simultaneously the competency variables of human resources, the application of government accounting standards, regional financial accounting systems and utilization of information technology have a significant positive effect on the quality of Binjai City Government financial reports, while partially the competency variables of human resources and utilization of information technology are influential a significant positive effect on the quality of the financial statements of the Binjai City Government and the variable implementation of government accounting standards and the regional financial accounting system does not affect the quality of the financial statements of the Binjai City Government. While the government's internal control system is not able to moderate the relationship between the competence of human resources, the application of government accounting standards, regional financial accounting systems and the use of information technology with the quality of the financial statements of the Binjai City Government.

Keywords: Quality of financial statements, competency of human resources, application of government accounting standards, regional financial accounting systems, utilization of information technology, government internal control systems.

1. INTRODUCTION

The resulting government financial statements must meet the principles on time and are prepared by following Government Accounting Standards (SAP) in accordance with Government Regulation Number 71 of 2010. Government financial reports are then submitted to the House of Representatives / Regional Representatives and the general public after being audited by the Supreme Audit Agency (BPK). The
components of the financial statements submitted include Budget Realization Reports, Change in Budget Balance Reports, Balance Sheet, Operational Reports, Cash Flow Reports, Changes in Equity Reports and Notes to Financial Statements. Information in financial statements is widely used by interested parties. Where the interested parties use the information contained in the financial statements to make a decision. The resulting decision is expected to bring the government towards a better direction. According to Suwardjono (2005), information useful for users is information that has value. Information will be useful if information can support decision making and reliably.

Financial reports generated by local governments will be used by interested parties as a basis for decision making. Therefore, the regional government must pay attention to the information presented in the financial statements for the purposes of planning, controlling, and making decisions. The ongoing reforms have given color and influence to the public administration, which is to reinstate the functions of the government apparatus as public services. Regional government apparatus as mandated by Law Number 5 of 2014 concerning State Civil Apparatus is determined that as a profession based on the principles: basic values, code of ethics and code of conduct, commitment, moral integrity, and responsibility for public services; The competencies required are in accordance with the field of duty, academic qualifications, legal protection guarantees in carrying out the duties and professionalism of the position.

The professionalism of the local government apparatus can be seen from the competence of the apparatus. Apparatus competency in a government agency is an important element in making decisions when employees have the knowledge, skills and attitudes required in carrying out their duties and functions. The problem faced by the government at this time is the limited quality of local government apparatus, this is a phenomenon that is at the same time a major problem faced in the administration of local government in Indonesia.

Local Government Financial Statements (LKPD) each year get an assessment in the form of opinions from the Supreme Audit Agency (BPK). When the Supreme Audit Agency gave a Fair without Exception Opinion (WTP) to the Regional Government Financial Statements (LKPD), it means that the financial statements of a regional government entity are presented and disclosed fairly and in quality. There are four opinions given by the examiner, namely: Unqualified Opinion (WTP), Unqualified Opinion (WDP), Unqualified Opinion (TP), and Statement of Refusing to give Opinion or Not Giving Opinion (TMP).

Binjai City which is one of the economic centers in North Sumatra has a high responsibility for its activities. Every year the Supreme Audit Agency has audited the Binjai City Regional Government Financial Statements (LKPD), the following are opinions on the financial statements obtained by the City of Binjai for the past 5 (five) years (period 2011 to 2015):

Phenomenon that occurs in the preparation and presentation of the financial statements of the Regional Work Unit, namely the preparation and presentation of financial statements prepared by the Financial Reporting Team in the Financial Administration of the Regional Work Unit has not fully understood and understood the
financial statements. This is because in general the team does not have accounting disciplines and does not come from accounting education, so it will be difficult to compile financial statements in accordance with regional financial management guidelines and Government Accounting Standards (SAP).

The results of the Binjai City Government financial report review also indicate that there are still Regional Work Units (SKPD) in the Binjai City Government that have not been able to fully complete the preparation of the financial statements in accordance with a predetermined schedule that is no later than 2 (two) months after the fiscal year ends, that is, in February at the beginning of each year. Timeliness in the delivery of work unit financial statements is influenced by several factors, both in the formulation process to deliver such as human resources, supporting facilities, team organizations, legal rules including the imposition of sanctions for delays.

SKPD must have competent human resources, who are supported by an accounting education background, often attend education and training, and have experience in finance. This is needed to implement the existing accounting system. The competent human resources (HR) will be able to understand accounting logic well. The failure of the local government human resources in understanding and applying the accounting logic will have an impact on the financial statements made and the non-conformity of the report with the standards set by the government.

Through increasing human resource competencies that are owned both at the system, institutional, and individual levels, and supported by the application of regional financial accounting systems, it is expected that regional financial managers, especially the accounting department, are able to carry out accounting tasks and functions well which ultimately leads to the creation of good governance.

Government Accounting Standards are accounting principles applied in preparing and presenting Regional Government Financial Statements (Government Regulation Number 71 of 2010) which have legal force in an effort to improve the quality of LKPD in Indonesia (Kawedar, 2010; Susilawati and Riana, 2013). Government Accounting Standards (SAP) requires each reporting entity including the local government to report on the efforts that have been made and the results achieved in the implementation of activities systematically and structured during a reporting period for the sake of accountability, management, transparency, balance between generation and performance evaluation. The application of SAP by the local government will produce quality financial reports that contain useful information (Zeyn, 2011).

2. STUDY OF LITERATURE AND HYPOTHESIS DEVELOPMENT

Agency theory (Jensen and Meckling, 1976) is a concept that explains the contractual relationship between principal and agent, ie between two or more individuals, groups of organizations. The principal is the party who takes the decision and gives the mandate to another party (agent), to carry out all activities on behalf of the principal. The core of this theory is a work contract that is designed appropriately to align the interests between principals and agents.
According to Ross (1973) examples of principal and agent relationships are very universal. The principal-agent relationship occurs when the action taken by someone has an impact on another person or when someone is very dependent on the actions of others. This influence or dependency is manifested in agreements in the institutional structure at various levels, such as behavior norms and contract concepts.

Eisenhardt (1989), argues that there are three assumptions regarding agency theory, namely: (1) assumptions about human nature that prioritize self-interest, limited rationality or bounded rationality, and tend to avoid risk; (2) assumptions about organization, are conflicts between members of the organization, efficiency, and asymmetry of information that occurs between the principal and agent; (3) assumptions about information, information is considered a commodity that can be traded.

Jensen and Meckling (1976) stated that the problems included: (1) moral hazard was a problem arising because the agent did not carry out the things agreed upon in accordance with the work contract; (2) adverse selection is the principal does not know that the decision taken by the agent is a decision that is in accordance with the information received by the principal or there is negligence on duty.

According to Lane (2003), agency theory can be applied in public organizations. He stated that modern democracies are based on a series of principal-agent relations. The same thing was stated by Moe (1984) who explained the economic concept of public sector organizations using agency theory. The agency principal relationship framework is a very important approach to analyzing public policy commitments. The making and application of public policies is related to contractual issues, namely asymmetric information, moral hazard and adverse selection.

Mardiasmo (2004) explains that the notion of public accountability is the obligation of the party to the trustee (agent) to provide accountability, present, report, and disclose all activities and activities that are the responsibility of the trustee (principal) who has the right to hold the accountability. Public accountability consists of two types, namely: 1) Accountability for managing funds to higher authorities (vertical accountability); and 2) Accountability to the wider community (horizontal accountability).

According to government accounting standards (SAP) outlined in Government Regulation (PP) No. 24 of 2005 requires every government agency to prepare financial statements. Furthermore, in PP No. 58 of 2005 concerning regional financial management regulated that the regional government must make an accounting system regulated by regional head regulations. Local government financial accounting system is an accounting system to record, classify, analyze, summarize and conduct financial transactions carried out by regional governments in the context of implementing the APBD (Nurafiah, 2009). In government accounting standards, financial statements will present information about 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. Specifically the purpose of government financial reporting is to present information that is useful for decision making and to show the accountability of the entity reporting on the resources used. The financial statements are prepared to provide relevant information regarding the financial position and all transactions carried out by a reporting entity during one reporting period. The financial statements are mainly used to compare the realization of revenues, expenditures, transfers, and financing with a predetermined budget, assess financial
conditions, evaluate the effectiveness and efficiency of a reporting entity and help determine compliance with laws and regulations.

Based on the theoretical foundation and the formulation of the research problem, the researcher identified 4 (four) independent variables namely Human Resource Competence (X1), Application of Government Accounting Standards (X2), Regional Financial Accounting System (X3), Information Technology Utilization (X4) which are predicted to affect dependent variable, namely the Quality of Financial Reports (Y) both partially and simultaneously and testing the Government's Internal Control System factors as moderating (Z) that affect the relationship between Human Resource Competencies (X1), Application of Government Accounting Standards (X2), Regional Financial Accounting Systems (X3), Information Technology Utilization (X4) with the Quality of Financial Statements (Y). In summary, the conceptual framework can be seen in Figure 3.1. the following:

**Research Hypothesis**

1. Human resource competence affects the quality of financial statements
2. The application of government accounting standards affects the quality of financial statements
3. Regional financial accounting systems affect the quality of financial statements
4. The use of information technology affects the quality of financial statements
5. The government's internal control system moderates the relationship of HR competencies, the application of SAP, the regional financial accounting system and the use of information technology to the quality of financial statements

**3. RESEARCH METHODOLOGY**

The type of research that will be used is causal research where causal design is useful for analyzing how a variable influences other variables. The research that will be used is by measuring and analyzing the influence of HR Competency, SAP Application, Regional Financial Accounting System, Information Technology Utilization and Government Internal Control System on the Quality of Binjai City Government Financial Report. The population in this study were all echelon II officials, the Finance Subdivision Head and the Treasurer in each Regional Work Unit (SKPD) throughout the City of Binjai totaling 99 (ninety-nine) people. The method used is a census, where the overall population is sampled (Sugiyono, 2011). Data collection methods if in previous studies using survey methods in the form of questionnaires, in this study data collection through questionnaires to all Regional Work Units (SKPD) throughout the City of Binjai. Answers or resource statements are weighted according to the range of Likert scale intervals.

Data analysis model in this study uses multiple linear regression analysis. Data processing using the SPSS application (Statistical Package for Social Science). SPSS is one of the most widely used programs for statistical analysis of social sciences.

X4: Utilization of information technology
e: error term

**4. RESEARCH RESULTS AND DISCUSSION**

From results of the variable validity test shows that all the questions from each variable are HR Competency (X1), SAP Application (X2), Regional Financial Accounting System (X3) and Information Technology Utilization (X4), Government
Internal Control System (Z) and the Quality of Financial Statements (Y) has a significance < 0.05 so it can be concluded that all instruments are declared valid. After validity testing, the next step is reliability testing. Similarly, when testing the validity, the reliability test is also carried out with one measurement only (one shot). A variable is said to be reliable if it gives the value of Cronbach’s Alpha > 0.70. (Ghozali, 2011). From reliability test results above can be explained that the value of Cronbach's Alpha for each variable > 0.70. Therefore it can be stated that all of these variables are declared reliable.

R square value (R2) is 0.472. If the independent variable is more than one then the value used is adjusted R2. Adjusted R2 value of 0.450 indicates that the quality of the financial statements as the dependent variable can only be explained by the independent variables (HR competence, application of SAP, regional financial accounting system and utilization of information technology) by 45%, while the remaining 55% is explained by other variables outside the research this.

The results of the t test can be shown in the following table:

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>6,422</td>
<td>1,630</td>
</tr>
<tr>
<td>X1</td>
<td>.269</td>
<td>.071</td>
</tr>
<tr>
<td>X2</td>
<td>.061</td>
<td>.129</td>
</tr>
<tr>
<td>X3</td>
<td>.007</td>
<td>.048</td>
</tr>
<tr>
<td>X4</td>
<td>.205</td>
<td>.096</td>
</tr>
</tbody>
</table>

Based on the hypothesis test that has been done, the regression model is:

\[ Y = 6,422 + 0.487X_1 + 0.055X_2 + 0.013X_3 + 0.208X_4 + e \]

The second hypothesis testing uses multiple regression analysis with residual tests, and moderating variables in the form of government internal control systems. The use of moderating variables is intended to prove the hypothesis that the variables of the internal control system of the government are able to moderate the relationship of HR competencies, the application of SAP, the regional financial accounting system and the utilization of information technology to the quality of the financial statements of the Binjai City Government. Based on the table, the residual test model can be formulated in the form of the following equation:

\[ | e | = 1,622 - 0.110 Y \]

Based on the results of the residual tests that have been done it is known that the level of significance of the quality of Binjai City Government financial reports is 0.807 greater than \( \alpha = 0.05 \) and the regression coefficient is negative, which is -0.011, so even though the regression coefficient is negative but the significance level is greater from alpha (0.807 > 0.05), so it can be concluded that the government's internal control system is not able to moderate the relationship of HR competencies, the application of
SAP, the regional financial accounting system and the utilization of information technology to the financial quality of the Binjai City Government.

5. CONCLUSIONS AND SUGGESTIONS

Conclusion
Based on the results of the analysis as described previously, the following conclusions can be drawn:

1. Simultaneously HR Competency, SAP Application, Regional Financial Accounting System and Information Technology Utilization have a significant effect on the Quality of Binjai City Government Financial Reports, while partially HR Competency and Information Technology Utilization variables have a significant influence on the Quality of Binjai City Government Financial Reports and SAP Application Systems and Systems Regional Financial Accounting does not affect the Quality of the Binjai City Government Financial Report;

2. The Government's Internal Control System is not able to moderate the relationship between HR Competency, SAP Implementation, Regional Financial Accounting System and Information Technology Utilization with the Quality of Binjai City Government Financial Reports.

Suggestions
Based on the research conclusions and the limitations of the research described above, it is recommended:

1. The next researcher is expected in addition to applying the survey method through questionnaires as well as conducting interviews to avoid misperceptions and get more in-depth information so that the data obtained can better describe the real situation.

2. Subsequent research is expected to increase the number of independent variables that are becoming phenomena that can affect the quality of financial statements, as input using variable leadership commitment, regulation and internal audit.

3. Researchers suggest to the Binjai City Government to improve HR competencies in all Regional Work Units (SKPD), especially employees who are directly involved in the preparation of financial statements. In addition, it is also recommended that education and training (diklat) be carried out more frequently for employees so that the implementation of accrual-based SAP can be implemented better and the strengthening of the regional financial accounting system of the Binjai City Government.
BIBLIOGRAPHY


