AN ANALYSIS ON THE FACTORS WHICH INFLUENCE FINANCIAL STATEMENT QUALITY OF SKPD (REGIONAL WORK UNIT) AT THE BINJAI MUNICIPAL ADMINISTRATION WITH ORGANIZATIONAL COMMITMENT AS MODERATING VARIABLE

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Abstract—The objective of this study was to analyze the influence of the competence of financial management officer, regulation, the role of internal audit, and the utilization of information technology with organizational commitment as moderating variable on the quality of financial statement of Binjai Government. The study used causal research method. The population was 99 people from 33 SKPDs (Regional Work Unit) that consisted of Head SKPD as the official budget users, PPK-SKPD (Financial Management Official of SKPD), and treasurers of Binjai Government, and all of them were used as the samples (census sampling). Primary data were gathered by using questionnaires. Hypothesis was tested by using multiple regression analysis and residual test with an SPSS software program. The result of the study showed that the competence of financial management officer, regulation, and the utilization of information technology had significant influence on the quality of financial statement simultaneously. Partially, the competence of financial management officer, regulation, and the utilization of information technology had significant influence on the quality of financial statement while the role of internal audit had no significant influence on the quality of financial statement. Organizational commitment as moderating variable could moderate the correlation of the competence of financial management officer, regulation, the role of internal audit, and the utilization of information technology with the quality of financial statement of Binjai Government.

Keywords : Quality of Financial Statement, the competence of financial management officer, regulation, the role of internal audit, and the utilization of information technology, Organizational Commitment.

1. Introduction

The amount of regional authority is one of the mandate of Law no. 23 of 2014 on Regional Government which states about the transfer of authority of financial management to the region, so that the public demand to the local government as a public organization to improve accountability in managing local finance effectively and efficiently, and obedient to the legislation. Mardiasmo (2006) states that accountability is a form of obligation to account for the success or failure of organizational mission implementation in achieving predetermined goals and targets, through a medium of accountability carried out periodically. Law no. 14 of 2008 on Public Information Openness requires the government to provide information on the performance of public bodies such as those concerning the right, accurate and not misleading financial statements.

As one form of accountability in the implementation of local government, the Governor / Regent / Mayor must submit financial reports to the public through DPRD after first audited by the Supreme Audit Agency (BPK). In accordance with the Law no. 17 of 2003 on State Finance states that the form and content of the accountability report on the execution of APBN / APBD in
the form of financial statements must be in accordance with Government Accounting Standards (SAP). The financial statements are the basis of the performance of the government bureaucracy. Therefore, Unqualified Status (WTP) becomes a mirror for the success of state apparatus performance in providing services to the public. When the Supreme Audit Agency (BPK) issues a WTP opinion, it can be interpreted that the financial statements are presented and disclosed in a reasonable and qualified manner.

Facts showed that Binjai Government gained the highest opinion from the BPK's Unqualified (WTP) audit results in 2014 and 2016. While in previous years 2009 and 2010 get Adversed opinion then up the rank become Qualified opinion (WDP) in the year 2011, 2012, 2013 and 2015. The ups and downs of opinion ratings from BPK in the Local Government Financial Report (LKPD) of Binjai Government indicate that in the preparation of the financial statements of Binjai Government which is the consolidated financial statements of all SKPD has not fully meet the quality of government financial statements as mentioned in qualitative characteristics in Government Regulation Number 71 Year 2010 on Government Accounting Standards. This phenomenon wants to be further investigated to some of the causes that make up and down LKPD opinion Binjai Government in each year. Head of BPK Representative of North Sumatra Province said to get the opinion of the WTP there are four things that must be considered. That is, firstly the compliance of the report with the government accounting standard, the two information must be sufficient, the three internal controls and the fourth compliance with the legislation (Fauzi, 2015).

Study related phenomenon has been done, some studies also concluded several factors that affect the quality of LKPD and based on previous inconsistent research results, there is reason to examine the influence of the competence of the officials of financial management, regulation, the role of internal audit and the utilization of information technology on the quality of SKPD's financial report in Binjai Government. Differences in previous research results provide sufficient reference to examine the financial quality of SKPD in Binjai Government.

This study adds organizational commitment as a moderating variable. Some research that adds organizational commitment as a moderating variable has also been widely practiced. Suarmika and Suputra (2016) stated that the organization's commitment to strengthen the influence of the implementation of Regional Financial Information System (SIKD) on the quality of LKPD Kabupaten Karangasem but weaken the influence of human resource capacity on the quality of LKPD Kabupaten Karangasem. Damini and Rahmawati (2015) declared organizational commitment is an aspect that strengthens the influence of human resources on improving the quality of financial statements. While Ratifah and Ridwan (2012) stated that organizational commitment does not moderate between the influence of local financial accounting system to the quality of financial statements. Based on previous inconsistent research is the reason for the authors to add organizational commitment as a moderating variable in this study. According to Zurnali (2010) the interesting things in the sense of organizational commitment is what is stated by Durkin (1999) that organizational commitment is a strong and tight sense of a person towards the goals and values of an organization in relation to their role toward achieving those goals and values. Organizational commitment in Binjai Government shows that Binjai Government is one of the regions that deliver LKPD on time when the Head of BPK said that with the accrual of Accrual Financial Report of 2015, many regions are late in submitting their financial report (Fauzi, 2016).
2. Review of Literatures

2.1. The Competence of Financial Management Officer

According to the decision of the Head of the State Personnel Agency Number 46A Year 2003 dated November 21, 2003 determined that the Competence is the ability and characteristics of a civil servant (PNS) in the form of knowledge, skills, attitudes, and behavior required in the implementation of duties, so that civil servants can perform their duties professionally, effectively and efficiently.

Law No. 13 of 2003 on Labor article 1 paragraph 10 stated competence is the ability of each individual's work covers aspects of knowledge, skills and attitude to work in accordance with the standards established. Spencer & Spencer (2008) defined competency is an underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation.

Wibisono (2006) defined each of the following competency elements:

a. Knowledge: General knowledge that must be possessed by the holder of the position to be able to complete the tasks well.

b. Skills: skills that must be possessed by the holder of the position to be able to complete his duties properly.

c. Values: a set of employee holder behavior that results in the best performance.

2.2. Regulation

Regulation is part of public policy (Eisner et al., 2000). According to Meier (1985) "Regulations are attempts by governments to control the behavior of society, enterprises and lower levels of government" (Eisner et al. 2000). Nordiawan and Hertianti (2010) stated that the activities of public sector organizations affect the livelihood of many people. To that effect, to prevent misuse of the public, public sector organizations need to be governed by legislation.

2.3. The Role of Internal Audit

The Institute of Internal Auditors (2001) has redefined the internal auditing. Where it is mentioned that internal auditing is an independent activity in setting goals and designing value added advisory activities and improving the company's operations. Thus, internal auditing assists the organization in achieving its goals by a systematic and systematic approach to assessing and evaluating the effectiveness of risk management through governance processes. This shows that the role of internal auditors is evolving, from the old paradigm that only conducts compliance auditing process so that it is just watchdog imprinting with new paradigm where the role of internal audit as business partner for management by giving consulting services and assurance services (catalysts) (Effendi, 2002).

According to Aikins (2012) the function of internal audit in government is to assess the effectiveness of the use of financial resources through the identification of leakage, ineffectiveness and budget fraud and to provide recommendations to improve operational efficiency and to improve agency performance.

2.4. The Utilization of Information Technology

According to ITTA (Information Technology Association of America), Understanding Information Technology is a study, design, implementation, development, support or management
of computer-based information systems, especially in computer hardware and software applications. Information technology utilizes electronic computers and computer software to convert, store, process, protect, transmit and obtain information securely (Sutarman, 2009).

2.5. Organizational Commitment

According to Mowday, et.al., in Curtis and Wright (2001), proposing commitment is defined as the power of individual identification within an organization. Curtis and Wright (2001) explain that this concept can be broken down into three components, namely: (1) the desire to maintain membership in the organization; (2) Confidence and acceptance of the organization's values and objectives; and (3) Willingness to work hard as part of the organization.

According to Luthans (2005), organizational commitment is defined as a strong desire to remain as a member of a particular organization, a desire to strive according to the organizational desires, certain beliefs and acceptance of organizational values and goals. In other words, this is an attitude that reflects the employee's loyalty to the organization and the ongoing process in which the members of the organization express their concern for the organization and its continued success and progress.

2.6. Local Government Financial Reporting

Qualitative characteristics of financial statements in accordance with Government Regulation Number. 71 Year 2010 concerning Government Accounting Standards (SAP) is a normative measures that need to be realized in the accounting information so that it can fulfill its purpose. The following four characteristics is a prerequisite normative necessary for the financial statements of local governments to meet the desired quality, namely (1) relevant, (2) reliability, (3) comparability (4) understandable.

3. Theoretical Framework
3.1. The Competence of Financial Management Officer and Quality of Financial Statement

One contributing factor in producing high quality financial statements are the competence of financial management officer. Tuasikal (2007) explained that in order to produce useful financial information for the users, the financial statements should be prepared by competent human resources in the area of regional financial management and accounting systems. Research conducted (Kuasa et. al, 2016), (Kiranayanti and Erawati, 2016), (Setyowati et.al, 2016), as well as research (evicahyani, 2015) also showed that the competence of financial management officials have a positive and significant influence on the quality of the financial statements.

3.2. Regulation and Quality of Financial Reporting

The quality of financial statements is influenced by the regulation and compliance with the regulations. Regulation / legislation is basically the basis of reference in behaving, both for state organizers and for society, including economic actors. To that end, legislation should be formulated in a simple, clear, firm and consistent manner so that it is easy to understand and operationalized (Bapennas, 2011). Public regulation is a provision that must be followed and obeyed in the process of managing public organizations, both in central government organizations, local government, political parties, foundations, NGOs, religious organizations of worship, and other social organizations (Bastian, 2014).

In order to produce qualified SKPD’s financial statements required regulations that include accounting systems and procedures and accounting policies in each SKPD, for that local
governments should prepare regulations on government accounting systems refer to government regulations and the provisions of legislation on the management of local finance (PP No. 71/2010 article 6, paragraph 3). Since the reform era, many regulations have changed. Therefore, the changes that occur to the regulation in the case of the presentation of financial statements should be updated regularly, so that mistakes in the presentation of financial statements do not happen again so that the preparation of financial statements become more effective (Pamungkas, 2012). Studies conducted Firdaus, et.al. (2015) stated that the application of accounting policy has a positive effect on the quality of financial statements and in line with Kiranayanti and Erawati (2016) stated that the understanding of the regulation of accrual-based government accounting system has a positive and significant influence on the quality of local government financial statements, as well as (Kuasa, 2016) also showed that the regulation has a significant positive effect on the quality of SKPD's financial statements.

3.3. The Role of Internal Audit and Quality of Financial Reporting

According to BPK member Baharuddin Aritonang, quoted from Danny Darussalam Tax Center Online (Bastian, 2014) stated that the role of internal audit in the government should help the department to prepare a good and proper financial statements in accordance with the principles of accounting standards, otherwise the opinion of the financial statements disclaimer or can not be declared anything opinion, in this case the role of internal audit is to provide consulting services and quality assurance (quality assurance) to the financial statements.

In accordance with article 9 paragraph (1) of Law Number 15 Year 2004 stated that "In conducting the audit of state financial management and accountability, BPK can utilize the results of internal government apparatus inspection", in this case the role of internal audit is to review the report local government finances before the financial statements are submitted by the governor / regent / mayor to BPK. Internal auditing is the keeper of an organization's goal in which one of the internal audit roles is to evaluate the internal control system. Studies conducted (Yuliani, et.al, 2010) and (Setyowati, et.al. 2016) stated that the role of internal audit has a positive and significant impact on the quality of financial statements.

3.4. The Utilization of Information Technology and Quality of Financial Reporting

In Explanation of Government Regulation no. 56 Year 2005 on Information System Finance mentioned that for follow up the implementation of the process development that is in line with the principle good governance central government and local governments obliged to develop and utilizing technological advances information to improve the ability manage finances, and distribute financial information to the service public. Government needs to optimize utilization of information technology progress to build a network of information systems management and work processes allowing government to work in a way integrated with simplified access between work units.

Wilkinson et.al., (2000) said the use of technology information includes the presence of (a) processing data, information processing, system management and work processes electronics and (b) utilization of progress information technology for public services accessible easily and cheaply by community. Studies conducted Firdaus, et.al, (2015) and Maksyur (2010) showed that the utilization of information technology has a positive and significant impact on the quality of financial statements.
3.5. The Role of Moderate Relationship of Organizational Commitment with Quality of Financial Statement

According to Mowday, et.al., in Curtis and Wright (2001), proposed commitment is defined as the power of individual identification within an organization. Organizational commitment is built on the trustworthiness of workers of organizational values, the willingness of workers to help realize organizational goals and loyalty to remain a member of the organization. Therefore, organizational commitment will create a sense of belonging for workers to the organization so as to create a condition of attachment and responsibility to the organization.

 Allegedly if an employee has a high organizational commitment then the employee will prioritize the interests of the organization rather than personal interests and is responsible for the task, principal and function as a financial manager so that the achievement of organizational goals is important for him so that financial managers will try to improve their competence, understand and comply with applicable regulations and are willing to utilize information technology to realize quality financial reports. Similarly, the role of internal audit in helping improve the quality of financial statements, if the internal auditor in this case the inspectorate of districts / cities that perform the role of internal audit have high organizational commitment it will perform task, principal, and function voluntarily and responsibly so the quality of reports financial SKPD can be achieved. Studied conducted Suarmika and Suputra (2016) showed that the organization's commitment to moderate the influence of human resource capacity and the application of SIKD to the quality of LKPD. Damini and Rahmawati (2015) stated that organizational commitment significantly moderates the influence of human resource capacity on the quality of local government financial statements.

4. Study Models and Hypotheses

Hypotheses of this research are:

H1: The competence of financial management official, regulation, the role of internal audit, and the utilization of information technology simultaneously and partially affect the quality of SKPD’s financial report in Binjai Government.

H2: Organizational commitment as a moderating variable can moderate the relationship between the competence of the financial management official, the regulation, the internal audit role,
5. Methodology

The research objects are the influence of competency variable of financial management official, regulation, the role of internal audit, and the utilization of information technology with organizational commitment as moderating variable on the quality of financial reporting. The population was 99 people from 33 SKPDs (Regional Work Unit) that consisted of Head SKPD as the official budget users, PPK-SKPD (Financial Management Official of SKPD), and treasurers of Binjai Government, and all of them were used as the samples (census sampling). This study uses primary data collected by spreading questionnaire by survey to each of the respondents. The data collected is then tested for its validity and reliability so that the data is valid to be processed. Then, the data is analyzed descriptively in order to describe the characteristics of each research’s variable. The data will be analyzed using multiple regression analysis and residual test with an SPSS software program. Each hypothesis to be tested by a statistical t test: $\alpha = 0.05$ level.

6. Conclusion

The result of the study showed that the competence of financial management officer, regulation, and the utilization of information technology had significant influence on the quality of financial statement simultaneously. Partially, the competence of financial management officer, regulation, and the utilization of information technology had significant influence on the quality of financial statement while the role of internal audit had no significant influence on the quality of financial statement. Organizational commitment as moderating variable could moderate the correlation of the competence of financial management officer, regulation, the role of internal audit, and the utilization of information technology with the quality of financial statement of Binjai Government. Based on the findings of this study, the authors propose some suggestions to improve the role of internal audit one of which is to increase the number of certified auditors because the number of certified auditors is not yet comparable with the number of SKPD in Binjai Government so that will increase the quality of financial reporting in Binjai Government.

REFERENCE


