THE ANALYZE OF THE GOVERNMENT INTERNAL CONTROL SYSTEM, IMPLEMENTATION OF GOVERNMENT ACCOUNTING STANDARDS, COMPLETENESS OF AUDIT FINDINGS, COMPETENCY HUMANS RESOURCES ON QUALITY OF FINANCIAL REPORT LOCAL GOVERNMENT WITH APPLICATION GOOD GOVERNANCE AS VARIABLE MODERATING

Meldawati Girsang, Fachruddin, Tapi Anda Sari Lubis

Abstract: The objective of this research was to analyse the influence of the government internal control system, the implementation of government accounting standards, the completion of the audit findings on the quality of local financial statements and the competence of human resources with implication of good governance principle as moderating variable on the quality of financial statement of Samosir Local Government. The research used causal method. The population was Budget User officials, Financial Administration (PPK-SKPD), Revenue Treasurers and Expenditure Treasurers in 38 SKPDs (Regional Work Units) of the Samosir District Administration. The samples were 138 respondents, taken by using total sampling technique. Primary data were gathered by using questionnaires. The Hypothesis was tested by using multiple regression analysis and residual test for moderating with an SPSS software program. The result of the research showed that the government internal control system, the implementation of government accounting standards, the completion of the audit findings on the quality of local financial statements and the competence of human resources had significant influence on the quality of financial statement simultaneously and partially. The implication of good governance could moderate the correlation of the government internal control system, the implementation of government accounting standards, the completion of the audit findings on the quality of local financial statements and the competence of human resources with the quality of financial statement of Samosir Local Government.

Keywords: Quality of Financial Statement, Government Internal Control System, Implementation of Government Accounting Standards, Completion of the Audit Findings on the Quality of Local Financial Statements and Competence of Human Resources, Implication of Good Governance.

INTRODUCE

Statute of the Law No. 23 of 2014 of the Regional Government which states that the transfer of authority of financial management to the region raises the great demands of the community to the local government to organize good governance. The demands of the community must be responded by the government by making changes to improve accountability in effective, efficient, and compliance with local laws and regulations.

Law No. 17 of 2003, article 32, stipulates that the Governor / Regent / Mayor are required to submit financial statements as a form of accountability for the implementation of the Regional Budget (DPRD) after being audited by the Supreme Audit Board (BPK) ). The accountability report for the implementation of APBN / APBD shall be in accordance with Government Regulation Number 71 Year 2010 concerning Government Accounting Standard (SAP).
Audits conducted by BPK aims to provide opinions on the fairness of financial information presented in the local government financial statements (LKPD) examined. The examination of the financial statements is intended to provide an opinion on the fairness of financial information presented in the financial statements based on (a) compliance with generally accepted accounting standards ie Governmental Accounting Standards for government entities and Government Accounting Standards for State and local companies and or principles accounting stipulated in various laws and regulations; (b) adequacy of disclosure (adequate disclosure); (c) compliance with laws and regulations; (d) the effectiveness of the internal control system. This condition illustrates that the quality of financial information, especially those presented in LKPD, has not fully met the qualitative characteristics of the financial statements in accordance with SAP. This is not because opinions are professional statements as the examiner's conclusions about the fairness of the information presented in the financial statements (Article 1 of Law No.15 of 2004).

LKPDs that achieve Unqualified (WTP) and Reasonable Exception (WDP) opinions generally have adequate internal control. While LKPD who got opinion Unfair (TW) and TMP (disclaimer) need improvement internal control. Weak internal control causes the difficulty of detecting fraudulent / inaccurate accounting processes so that audit evidence obtained from accounting data becomes incompetent (Winidyaningrum, 2009).

BPK discovers some cases of SPI weakness and reporting, ie; (a) Accounting and reporting information systems are inadequate, e) Accounting and reporting information systems are not supported by human resources that are not / not accurately conducted, b) The process of reporting is not in accordance with applicable regulations; competent. Weak internal controls make it difficult to detect fraudulent / inaccurate accounting processes so that audit evidence obtained from accounting data becomes incompetent (Winidyaningrum, 2009).

Research Milal (2013) shows that the main factors causing the full unfulfillance of the WTP opinion are the existence of several BPK findings in the Internal Control System and non-compliance with laws and regulations. In addition, the low quality of financial statements is due to the low number of recommendations followed up by ministries / agencies. The results of Sari's research, et al (2015) show that more recommendations of BPK followed up by recommendation will improve the quality of Ministry / Institution's financial report represented from high disclosure level. If the recommendations have been followed up in a concrete and final manner by officials examined in accordance with BPK's recommendations, it is expected to improve the management and financial responsibility of the State in K / L (CPC, 2015).

II. THE LITERATURE AND DEVELOPMENT OF HYPOTHESES

Quality of Local Government Financial Report (LKPD)

Financial Statements according to Government Regulation (PP) no. 71 Year 2010 on Government Accounting Standards (SAP) is a structured report on the financial position and transactions undertaken by the reporting entity. A reporting entity is a government unit consisting of one or more accounting entities that must submit an accountability report in the form of financial statements.
According to Mardiasmo (2002) in general, the objectives and functions of public sector financial reports are: "1) compliance and stewardship; accountability and retrospective reporting; 3) planning and authorization information; 4) organizational viability (viability); 5) public relations (public relations); 6) sources of facts and figures ". The financial statements play an important role to fulfill the government's obligations to its public in a democratic society.

**Government Internal Control System (SPIP)**

Based on Government Regulation No. 60/2008, the Government Internal Control System is an integral process of actions and activities carried out continuously by the management and all employees to be able to provide confidence in the achievement of organizational goals through effective and efficient activities, financial reporting, asset security state and compliance with laws and regulations.

**Implementation of Government Accounting Standards (SAP)**

Follow-up results of inspection according to Audit Board Examination Management Guidelines are activities and / or decisions made by the head of the inspected entity and / or other competent person to implement the recommendation of the inspection result (Decision of BPK Number 1 / K / I-XIII.2 / 2/2008). Follow-up recommendations of inspection results are activities and / or decisions made by the head of the inspected entity and / or other competent parties to implement the recommendations of the BPK audit results. Follow-up recommendations of BPK audit results shall be conducted by the head of the examined entity.

**Competence of Human Resources**

Based on Head of BKN Decree No.46 A Year 2203 concerning Guideline of Competency Standards Competency Structure of Civil Servants understanding of competence of human resources (HR) is the ability and characteristics possessed by a Civil Servant in the form of knowledge, skills, and behavioral attitude required in the implementation of the duties of his position, so that the Civil Servant can perform his duties professionally, effectively and efficiently.

**Implementation of Good Governance**

*Good governance* is the administration of solid and responsible government and efficient and effective by maintaining the harmony of constructive interaction between the domains (state, private sector and society).

**An Overview of Past Research**

Sari (2013) examines the Influence of Government Internal Control System, Implementation of Governmental Accounting Standards, Completion of Audit Findings to the Quality of Local Government Financial Statements and their Implications on the application of good governance principles. The results of his research states that simultaneously and partially the three variables of the Government Internal Control System, the Implementation of Government Accounting Standards, the Settlement of Audit Findings has a positive and strong influence on the quality of the financial statements. Furthermore, the Government Internal Control System, the Implementation of Government Accounting Standards, the Settlement of
Audit Findings and the Quality of Local Government Financial Statements have a positive effect on the application of the principles of good governance.

Syarifudin (2014) examines the Influence of Human Resources Competence and the Role of Internal Audit on the Quality of Local Government Financial Statements with Intervening Variables of Government Internal Control System at Kebumen Government. The results of this study indicate that only SPIP variables have a significant effect on the quality of LKPD while the variables of HR competence and the role of Internal Auditors have no significant effect on the quality of LKPD. Besides, SPIP can mediate the influence of Human Resources Competence on the Quality of LKPD and SPIP does not mediate the influence of Internal Audit Role on LKPD Quality.

**Conceptual framework**

Conceptual framework of this research can be described as follows:

<table>
<thead>
<tr>
<th>Sistem Pengendalian Intern Pemerintah (X1)</th>
<th>Implementasi Standar Akuntansi Pemerintah (X2)</th>
<th>Penyelesaian Temuan Audit (X3)</th>
<th>Kompetensi SDM (X4)</th>
<th>Kualitas Laporan Keuangan</th>
<th>Penerapan Good Governance (Z)</th>
</tr>
</thead>
</table>

**Research Hypothesis**


**3. RESEARCH METHODOLOGY**

**Types of research**

The type of research conducted is a causal research that aims to test the hypothesis and is a study that explains the phenomenon in the form of relationships between variables.

**Location and Time of Study**

This research was conducted in Samosir Regency Government. The study was conducted from January to June 2017.

**Population and Sample**

The population in this study is all civil servants of financial management in Samosir Regency Government, which consists of Head of SKPD, Finance Administration officials SKPD, Treasury and Treasury Acceptance amounted to 138 Respondents.
Method of collecting data

The data used in this study is the primary data in the form of questionnaires / questionnaires that will be given to the respondents. Questionnaires will be given directly to the respondent and awaited for 14 (fourteen) days.

Operational Definition and Variable Measurement Method

Quality of Local Government Financial Statements (Y) Shows the qualitative characteristics of financial statements. Government Internal Control System (SPIP) (X1) An integral process of actions and activities undertaken continuously by the leadership and all employees. Implementation of Government Accounting Standards (X2) An accounting system implemented in accordance with generally acceptable accounting principles. Completion of Audit Findings (X3) Activities to carry out recommendations of examiner results. Human Resource Competence (X4) Ability and characteristics of a civil servant to perform their duties professionally, effectively and efficiently. Good Governance (Z) Implementation of a solid and responsible development management.

Methods and Techniques of Data Analysis

Data analysis technique used in this research is multiple regression analysis.

IV. RESULTS AND DISCUSSION

Data Quality Test

a. Validity test

Validity test shows that all research variables have r value count> r table which means all variables are declared valid.

b. Test Reliability

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Cronbach Alpha</th>
<th>Batas Reliabilitas</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of Financial Statement (Y)</td>
<td>0,915</td>
<td>0,7</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Government Internal Control System (X1)</td>
<td>0,842</td>
<td>0,7</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Implementation of SAP (X2)</td>
<td>0,877</td>
<td>0,7</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Settlement of Audit Findings (X3)</td>
<td>0,834</td>
<td>0,7</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Human Resource Competence (X4)</td>
<td>0,826</td>
<td>0,7</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Implementation of Good Governance (Z)</td>
<td>0,856</td>
<td>0,7</td>
<td>Reliabel</td>
</tr>
</tbody>
</table>

The value of Cronbach Alpha in the table above shows a value> 0.70 which means that the questionnaire is said to be reliable or reliable.

Classic assumption test

1. Normality Test

a. Graph Analysis

In the Normal P-P chart of Plat of Regression Standaerized Residual, the above shows that the distribution of dots is approaching the diagonal line, which means the regression model does not violate the assumption of normality.

b. Statistic analysis

The results of this test indicate that the asymp.sig (2-tailed) value is greater than 0.05, it can be concluded that the data is normally distributed.

2. Multicolonierity Test
### Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.14,960</td>
<td>2.493</td>
<td>.6000</td>
</tr>
<tr>
<td>X1(SPIP)</td>
<td>.235</td>
<td>.049</td>
<td>.356</td>
</tr>
<tr>
<td>X2(Implementasi SAP)</td>
<td>.234</td>
<td>.077</td>
<td>.220</td>
</tr>
<tr>
<td>X3(Penyelesaian Temuan Audit)</td>
<td>.282</td>
<td>.074</td>
<td>.252</td>
</tr>
<tr>
<td>X4(Kompetensi SDM)</td>
<td>.138</td>
<td>.061</td>
<td>.166</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Y (Kualitas Laporan Keuangan)

The magnitude of VIF (variance inflation factor) ≥ 10 and Tolerance value ≤ 0.10, mean there is no correlation between independent variables.

### 3. Heteroscedasticity Test

**a. Graph Analysis**

In the Scatterplot chart above shows that the points spread randomly, do not form a clear or regular pattern, and spread either above or below the number 0 on the Y axis. This shows no heteroscedasticity in the regression model.

**b. Statistic analysis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.412</td>
<td>2.588</td>
</tr>
<tr>
<td>SPIP</td>
<td>-.031</td>
<td>.048</td>
</tr>
<tr>
<td>Implementasi SAP</td>
<td>-.023</td>
<td>.080</td>
</tr>
<tr>
<td>Penyelesaian Temuan Audit</td>
<td>-.074</td>
<td>.074</td>
</tr>
<tr>
<td>Kompetensi SDM</td>
<td>.105</td>
<td>.061</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Abs_ut

In the Glejser test above the sig value is known, of each independent variable is greater than the trust level (α) of 0.05. This shows that in the regression model there is no heteroscedasticity.

### 4. Hypothesis Testing

**a. The first hypothesis**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.412</td>
<td>2.588</td>
<td>-.075</td>
<td>-633</td>
</tr>
<tr>
<td>SPIP</td>
<td>-.031</td>
<td>.048</td>
<td>.075</td>
<td>-.633</td>
</tr>
<tr>
<td>Implementasi SAP</td>
<td>-.023</td>
<td>.080</td>
<td>.033</td>
<td>-.287</td>
</tr>
<tr>
<td>Penyelesaian Temuan Audit</td>
<td>-.074</td>
<td>.074</td>
<td>.106</td>
<td>-.997</td>
</tr>
<tr>
<td>Kompetensi SDM</td>
<td>.105</td>
<td>.061</td>
<td>.207</td>
<td>1.733</td>
</tr>
</tbody>
</table>
Based on the above table the regression equation between independent variables to the dependent variable in this study are:

\[ Y = 14.96 + 0.235X1 + 0.234X2 + 0.282X3 + 0.138X4 \]

b. Statistical Test F

\[
\text{ANOVA}^a
\]

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>921.919</td>
<td>4</td>
<td>230.480</td>
<td>52.014</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>567.179</td>
<td>128</td>
<td>4.431</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1489.098</td>
<td>132</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Y
b. Predictors: (Constant), X4, X2, X3, X1

Test results on the statistical test F note that the value of F arithmetic 52, 01 is greater than the value of F table 2.29 and significance value F of 0.00 is smaller than \( \alpha = 0.05 \) then \( Ho \) is rejected or hypothesis proposed is accepted

c. Statistical Test t

In the first hypothesis test results table above shows that all independent variables significantly influence the quality of financial statements.

d. The second hypothesis

\[
\text{Coefficients}^a
\]

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>2.428</td>
<td>.675</td>
</tr>
<tr>
<td>Y</td>
<td>-.036</td>
<td>.015</td>
</tr>
</tbody>
</table>

a. Dependent Variable: AbsResMod

Based on the regression results can be formulated the following equation:

\[ |e| = 2.428 - 0.036 Y \]

Based on the result of residual test, it is known that the level of significance variable of financial report quality is 0.018 smaller than \( \alpha = 0.05 \) and the regression coefficient is -0.036 so it can be concluded that the variable of Good Governance Implementation is moderating variable that can moderate the relationship between control system variables internal government, the implementation of government accounting standards, completion of audit findings and human resource competencies with the quality of financial statements.

V. CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the results of testing and discussion of research, obtained the following conclusions:

1. Government Internal Control System, Implementation of Government Accounting Standards, Completion of Audit Findings and Human Resources Competence has significant
effect on Quality of Samosir District Financial Statement simultaneously and partially, in line with the proposed hypothesis. This means that if the Government Internal Control System, the Implementation of Government Accounting Standards, Completion of Audit Findings and Human Resources Competencies carried out jointly it will be able to improve the Quality of Financial Statements of Samosir Regency. Partially Government Internal Control System, Implementation of Government Accounting Standards, Completion of Audit Findings and Human Resources Competence has significant effect on Quality of Samosir District Financial Report. The results of this study are in line with the proposed hypothesis.

2. The implementation of Good Governance is a moderating variable that can moderate the relationship between the government's internal control system, the implementation of government accounting standards, the completion of the audit findings and the competence of human resources with the quality of the financial statements of the Samosir regency government.

**Suggestion**

Based on the limitations in this study, the researcher's suggestion is:

1. The next researcher to conduct direct and in-depth interviews to the respondents so that information obtained from the research results can be represented and explain the actual situation.

2. The researcher further adds and considers other variables that are expected to affect the quality of local government financial statements such as the LKPD Review and the Internal Audit Role.

3. The next researcher should add the sample directly related to the policy maker in accounting field and BPK-RI auditor who conducts the examination on LKPD.

4. For the Government of Samosir Regency to improve the quality of local government financial statements it is recommended that:
   a. Continuously improve SPIP both within SKPD and Samosir Regency. Monitoring of this SPIP should be evaluated so that agencies have a renewable and well connected system.
   b. Keep providing education and training for financial manager especially to implement every change of regulation about local financial manager so that financial report can be presented in accordance with regulation and on time.
   c. Follow-up Recommendations BPK RI for all draft findings and findings should be immediately followed up and completed cooperatively in order to improve the quality of local government financial statements.
   d. Samosir regency government needs to do placement of competent apparatus in accordance with educational background and expertise and direct all employees to be more leverage in carrying out their duties and responsibilities especially in service and public administration so that transparency, accountability and reponsibilitas to society can be more improved again.


Republik Indonesia, Undang-Undang Nomor 17 Tahun 2003 tentang Keuangan Negara.

______________. Undang-Undang Nomor 10 Tahun 2004 tentang Pembentukan Peraturan Perundang-undangan.

______________.Undang-Undang Nomor 15 Tahun 2004 tentang Pemeriksaan Pengelolaan dan Tanggung Jawab Keuangan Negara.

______________. Undang-Undang Nomor 32 Tahun 2004 tentang Pemerintahan Daerah.

______________. Undang-Undang Nomor 14 Tahun 2008 tentang Keterbukaan Informasi Publik.

______________. Peraturan Pemerintah Nomor 58 Tahun 2005 tentang Pengelolaan Keuangan Daerah.
Peraturan Pemerintah Nomor 8 Tahun 2006 tentang Pengelolaan Keuangan Daerah.

Peraturan Pemerintah No. 60 Tahun 2008 tentang Sistem Pengendalian Intern.

Peraturan Pemerintah Nomor 71 Tahun 2010 tentang Standar Akuntansi Pemerintahan.


