

INTAN PRATIWI - Artikel Jurnal Nasional

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Submission date: 20-Dec-2021 03:39PM (UTC+0700)

Submission ID: 1734136326

File name: n_ke-3_Artikel_Jurnal_Intan_English_Version_-_INTAN_PRATIWI.docx (357.25K)

Word count: 3409

Character count: 19019

THE INFLUENCE OF IMPLEMENTATION OF GOVERNMENT ACCOUNTING STANDARDS, INTERNAL CONTROL SYSTEMS, HUMAN RESOURCES COMPETENCE, AND AUDITOR INDEPENDENCE ON THE QUALITY OF LOCAL GOVERNMENT FINANCIAL REPORTS OF PRINGSEWU REGENCY

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¹This study aims to determine the effect of Government Accounting Standards (X1), Internal Control System (X2), Human Resources Competence (X3), and Auditor Independence (X4) on the Quality of Local Government Financial Reports (Y). The population in this study were BPKAD employees of Pringsewu Regency. The sample used as the respondent is the Pringsewu Regency BPKAD employees as many as 22 people. The data used is primary data in the form of a questionnaire. The data processing used descriptive statistical analysis and multiple linear regression, which were processed from primary data using Eviews 9.0. This study indicates that Government Accounting Standards have a significance value of $t = 0.16 > 0.05$, Internal Control Systems has a significance value of $t = 0.34 > 0.05$, Human Resources Competence has a significance value of $t = 0.13 > 0.05$. and Auditor Independence has a significance value of $t = 0.52 > 0.05$. The significance value of F is $0.000006 < 0.05$. Therefore, it is recommended to add other independent variables and samples for further research.

¹Keywords: Government Accounting Standards (SAP), Internal Control System (SPI), Human Resources Competence, Auditor Independence, Quality of Local Government Financial Reports (LKPD).

Introduction

Problems related to the quality of LKPD in Indonesia can be seen from the disclaimer opinions obtained by local government agencies. This problem is something that needs to be studied in depth. Lack of understanding of Government Accounting Standards (SAP) and Poor Internal Control System (SPI), as well as human resources competence that are considered to lack understanding of bookkeeping affect the quality of LKPD (Udiyanti et al., 2014).

Pujanira & Taman² (2017) Quality financial reports are reflected in the audited financial statements opinion by The Audit Board of the Republic of Indonesia (BPK RI). The opinion is based on in the Regulation of BPK RI No.1 of 2017 concerning State Auditing Standards.

In international business, accrual accounting and International Public Sector Accounting Standards are considered a panacea or solution for all governance and responses related to challenges for developing countries including those related to accounting and accountability (Adhikari et al., 2019)

In Indonesia since 2015 all local government agencies has implemented accrual-based accounting based on Government Regulation of the Republic of Indonesia No.71 of 2010. To

create a quality LKPD, accounting principles must be applied with Government Accounting Standards. The Audit Board will audit the Regional Government Financial Statements to check compliance with other relevant standards and regulations. Based on several audit findings, financial reports in several government agencies are still not in accordance with the applicable SAP (Sako & Lantowa, 2018).

According to data from ² The Audit Board of the Republic of Indonesia (BPK RI) which contains the Summary of Semester I Examination Results (IHPS I) of 2020, it is stated that the 2019 LKPD, which consists of 541 LKPD, shows that 485 entities received Unqualified Opinions (WTP), for 50 entities received Fair Opinions. With Exception (WDP), and for six entities received a Disclaimer of Opinion (TMP). The Examination Results Report (LHP) of 2019 produced 6,217 findings and 10,565 problems on local governments. Based on these data, it is known that there are still problems in financial reports.

¹¹ The Regulation of the Minister of Finance of the Republic of Indonesia No. 238/PMK.05 of 2011 concerning General Guidelines for Government Accounting Systems states that accrual-based accounting refers to the preparation of government financial statements. Meanwhile, the technical guidelines for regional financial management are regulated in the Minister of Home Affairs Regulation No. 77 of 2020 which states that regional financial managers are regional financial management officials.

In 2020 an extraordinary event occurred, namely the Covid-19 pandemic which had an impact on the government's fiscal policy, and all items in the financial budget were also affected. However, there is no need for a special heading in the Operational Report. Recovery efforts due to Covid-19 are making changes to the State Revenue and Expenditure Budget (APBN)/APBD for Fiscal Year 2020, refocusing and reallocating non-priority expenditures. The realization of this budget change can be seen in the form of Government Financial Reports and Local Government Financial Reports (LKPD) that are in accordance with SAP (Government Accounting Standards Committee, 2020).

This research is different from previous research because there are several aspects, namely variables and research objects which are usually investigated in the private sector and then tested in the public sector. The independent variable that is different in this study is auditor independence. The object of this research is the Regional Financial and Asset Management Agency of Pringsewu Regency (BPKAD Kab.Pringsewu).

Pringsewu Regency is regency in Lampung Province, established on April 3, 2009 based on Law No. 48 of 2008 concerning the Establishment of Pringsewu Regency Lampung Province. For the Regional Government Financial Report (LKPD), Pringsewu Regency received a WDP (Unqualified) opinion in 2014. Then for the 2015 to 2019 LKPD, Pringsewu Regency received a WTP (Unqualified) opinion from the Supreme Audit Agency.

⁷ With this explanation, this study wants to see the relationship between SAP, SPI, Human Resource Competence, and Auditor Independence on the Quality of Financial Reports of the Pringsewu Regency Government.

Literature Review and Hypothesis Development

Government Accounting Standards (SAP)

According to Government Regulation (PP) No.71 of 2010, SAP are accounting principles related to the application in preparing and presenting government financial statements. This regulation has been in effect since Government Regulation (PP) No.24 of 2005 was revoked. SAP have been implemented in stages since it was established due to the shift from cash-based SAP to accrual-based SAP (Mahardini & Miranti, 2018).

Previous research stated that the application of SAP had a positive and significant effect on the quality of LKPD (Ikriyati & Aprila, 2019; Sihite & Holiawati, 2017; Yaqin & Jatmiko, 2018). This shows the better of SAP, the quality of the LKPD presented by the local government tends to be better.

Meanwhile, research conducted by (Modo et al., 2016) states that SAP has a negative effect on the quality of Local Government Financial Reports (LKPD). This is due to changes in SAP regulation so that financial management officials have difficulty understanding the standards that guide the preparation and presentation of financial statements.

H1: Partially, SAP has an effect on the quality of LKPD.

Internal Control System (SPI)

According to Government Regulation No. 60 of 2008, the Internal Control System is a system designed to regulate an activity that is used as a guideline in carrying out the operations of an organization. Financial reports must be reviewed by the Government's Internal Audit Apparatus and then submitted for audit by The Audit Board. A review of Regional Government Financial Report (LKPD) is carried out by the provincial inspectorate and the district inspectorate. Financial statements must be presented by Government Accounting Standards (SAP) and an adequate Internal Control System (SPI).

Previous research stated that SPI had a positive and significant effect on the quality of LKPD (Mutiana et al., 2017; Ramadhani et al., 2018; Tawaqal & Suparno, 2017). These results indicate the better of implementation of SPI, the quality of the LKPD presented by the local government tends to be better.

Meanwhile, research conducted by (Mokoginta et al., 2017) states that SPI has a negative effect on the quality of LKPD, this is because implementation of SPI has not been effective and efficient so that it affects the lack of quality of LKPD.

H2: Partially, SPI affects the quality of LKPD.

Human Resources Competence

According to the Regulation of the Minister of Home Affairs of the Republic of Indonesia (Permendagri) No. 11 of 2018 Employees of the State Civil Apparatus must have competence in the form of skills, knowledge, and attitudes in order to carry out their jobs professionally, efficiently and effectively.

Previous research stated that Human Resource Competence has a positive and significant effect on the quality of LKPD (Rusvianto et al., 2018; Tampubolon & Basid, 2019; Zubaidi et al.,

2019). These results indicate the better of ¹⁰ competence of human resources, the quality of the LKPD presented by the local government tends to be better.

Meanwhile, research conducted by (Alminanda & Marfuah, 2018) states that Human Resource Competence has a negative effect on the quality of LKPD. This is because employees who work are not from accounting education, so they have difficulty presenting quality financial reports.

H3: Partially, ² Human Resource Competence has an effect on the quality of LKPD.

Auditor Independence

According to the Regulation of The Audit Board of the Republic of Indonesia, No.1 of 2017, Independence is an impartial attitude and is not influenced in carrying out the examination. The auditor as an examiner must have an objective nature free from conflicts of interest. In addition, the auditor must also maintain independence in thought and independence in appearance.

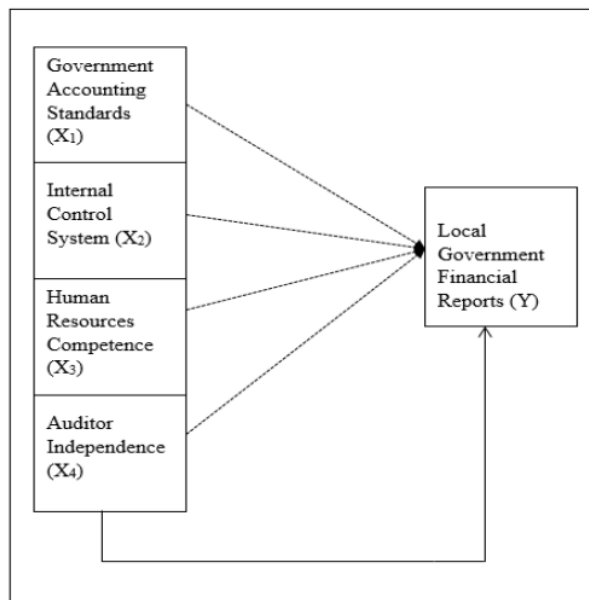
Previous research conducted by (Fitrawansyah & Syahnifah, 2018; Tussiana & Lastanti, 2016) stated that Auditor Independence has negative effect on financial statements.

H4: Auditor independence partially affects the quality of LKPD.

LKPD must be presented by Government Accounting Standards (SAP) so that LKPD are quality. Likewise, in practice, the Internal Control System, Human Resource Competence, and Auditor Independence are needed to create a quality LKPD.

H5: Simultane¹⁰sly, the application of SAP, SPI, Human Resource Competence, and Auditor Independence have a simultaneous effect on the quality of LKPD.

Based on the description above, it can be arranged a framework of thought can be described as follows :



Research Methods

This study takes a quantitative approach, using primary data from a questionnaire. The Population is the Regional Financial Management Officer (PPKD) in the Pringsewu Regency Government's Regional Asset Financial Management Agency (BPKAD). The Samples are the head of the Pringsewu Regency BPKAD and the Pringsewu Regency Government BPKAD employees.

Table 1
Research Population List

Background Sector	Number of Employees
BPKAD Secretariat	11 people
Budget Division	9 people
Accounting	11 people
Treasury Department	12 people
Regional Assets	7 people
Amount	50 people

Source: BPKAD Pringsewu Regency, 2017.

Of the 50 questionnaires distributed, some questionnaires could not be processed because they were incomplete and did not meet the sample criteria.

Table 2
Questionnaire Data Return

Description	Total	Percentage (%)
Questionnaire distributed	50	100%
Returning Questionnaire	22	44%
Questionnaire not returned	28	56%
Unused Questionnaire	-	-
Processable questionnaire	22	44%

Source: Data processed by researchers, 2021

It can be observed from the table above that the respondents in this study were 22 BPKAD employees of Pringsewu Regency who were used as respondents. Of the 22 respondents, there are several characteristics: age, gender, last education, length of work, and position.

Table 3
Operationalization of Research Variables

No.	Variable	Variable Concept	Indicator
1.	Quality of Local Government Finance Report (Y)	The qualitative qualities of the financial statements to fulfill the goal are referred to as the quality of the local government finance report (Government Regulation No. 71 of 2010).	Qualitative characteristics of financial statements: a. relevant b. reliable c. can be compared

			d. can be understood
2.	Government Accounting Standards (X ₁)	Government Accounting Standards (SAP) are accounting principles that apply to government entities application in preparing and presenting government financial statements (Government Regulation No. 71 of 2010).	Indicators of accounting principles: a. accounting basis b. the principle of historical value c. realization principle d. the principle of substance overrides the formal e. periodicity f. consistency g. full disclosure h. fair presentation
3.	Internal Control System (X ₂)	The control environment, risk assessment, control activities, information and communication, and internal control monitoring are all part of the internal control system, which is utilized as a guideline in carrying out the operations of a company (Government Regulation No. 60 of 2008).	a. organize an activity b. carry out activities operational c. control environment d. risk assessment e. control activities f. information and communication g. monitoring of control internal
4.	Human Resources Competence (X ₃)	Employees of the State Civil Apparatus must have capacity and characteristics in the form of knowledge, skills, and behavioral attitudes required to carry out office duties professionally, efficiently, and effectively (Permendagri No. 11 of 2018)	a. ability b. characteristics c. knowledge d. skills e. behavioral attitude f. carry out office duties professionally g. efficient and effective
5.	Auditor Independence (X ₄)	Independence is an impartial attitude and is not influenced by the examination. Auditors as examiners must have an objective nature that is free from conflicts of interest (BPK Regulation No.1 of 2017)	a. impartiality b. action is not affected c. objective d. free from conflict of interest

Source: Processed by researchers, 2021

Results and Discussion

Validity and Reliability Test

Because the determined r-value is greater than the r-table value, the variables Quality of LKPD, Government Accounting Standards (SAP), Internal Control System (SPI), Human Resource Competence, and Auditor Independence are valid. Because the Cronbach Alpha value is more than 0.60, the variables in this study are also credible.

Descriptive Statistics Test

	Y	X1	X2	X3	X4
Mean	31.27273	45.86364	30.40909	51.50000	18.36364
Median	33.50000	49.00000	31.50000	56.00000	20.00000
Maximum	36.00000	52.00000	36.00000	56.00000	20.00000
Minimum	9.000000	13.00000	9.000000	14.00000	5.000000
Std. Dev.	6.095914	8.876376	6.223298	9.555602	3.485281
Skewness	-2.268868	-2.468592	-1.880766	-3.019843	-2.805981
Kurtosis	9.082591	9.605088	7.343959	12.01859	10.95022
Jarque-Bera	52.78989	62.33606	30.26752	107.9950	86.80846
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	688.0000	1009.000	669.0000	1133.000	404.0000
Sum Sq. Dev.	780.3636	1654.591	813.3182	1917.500	255.0909
Observations	22	22	22	22	22

Source: respondent data processed with Eviews 9.0, 2021

The table shows that number of respondents was as many as 22 respondents. Dependent variable (Y), namely the Quality of LKPD (Y) of 22 respondents, the minimum value is 9.00, the maximum value is 36.00, the average value (mean) is 31.27, and the standard deviation is 6.09.

Independent variable, namely the Government Accounting Standard (X1), the minimum value of 13.00, the maximum value of 52.00, the average value (mean) of 45.86, and the standard deviation has a value of 8.87.

Internal Control System variable (X2), the minimum value of 9.00, the maximum value of 36.00, the average value (mean) of 30.4, and the standard deviation of 6.2.

Human Resources Competency variable (X3), the results obtained have a minimum value of 14.00, a maximum value of 56, with an average value (mean) of 51.5 and a standard deviation of 9.5.

Auditor Independence variable (X4), the minimum value of 5.00, the maximum value of 20.00, the average value (mean) of 18.36, and the standard deviation of 3.48.

Multiple Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.499147	3.560432	0.421057	0.6790
X1	0.272395	0.186388	1.461439	0.1621
X2	0.206179	0.211407	0.975272	0.3431
X3	0.011180	0.387903	0.028821	0.9773
X4	0.568246	0.885074	0.642032	0.5294
R-squared	0.811222	Mean dependent var	31.27273	
Adjusted R-squared	0.766804	S.D. dependent var	6.095914	
S.E. of regression	2.943741	Akaike info criterion	5.193956	
Sum squared resid	147.3154	Schwarz criterion	5.441920	
Log-likelihood	-52.13352	Hannan-Quinn criter.	5.252369	
F-statistic	18.26323	Durbin-Watson stat	1.862836	
Prob(F-statistic)	0.000006			

Source: primary data processed with Eviews 9.0, 2021

The value of the regression equation generated from the computation results is as follows, based on the output above.

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4$$

$$Y = 1,49 + 0,27 X_1 + 0,20 X_2 + 0,01 X_3 + 0,56 X_4$$

The following conclusion can be drawn from the multiple regression equation:

1. The constant value (α) of 1.49 indicates that the Local Government Financial Report Quality (LKPD) variable has a value of 1.49 if there is no change in SAP, SPI, Human Resources Competence, or Auditor Independence, or if the value ($X = 0$).
2. The Government Accounting Standar (SAP) regression coefficient is 0.27, indicating that the SAP variable has a positive influence on the Quality of LKPD, implying that for every 1 unit increase in the SAP variable, the Quality of LKPD increases by 0.27.
3. The Internal Control System (SPI) variable has a positive influence on the Quality of LKPD, as indicated by the regression coefficient value of 0.20, which means that for every 1 unit increase in the SPI variable, the Quality of LKPD increases by 0.20.
4. The Human Resources Competence variable has a positive impact on the Quality of LKPD, as indicated by the regression coefficient value of 0,01, implying that for every 1 unit increase in the Human Resources Competency variable, the Quality of LKPD increases by 0.01.
5. The Auditor Independence regression coefficient of 0.56 indicates that the Auditor Independence variable has a positive impact on the Quality of LKPD, implying that for every unit increase in the Auditor Independence variable, the Quality of LKPD increases by 0.56.

F test and t test

F-statistic	18.26323
Prob(F-statistic)	0.000006

Source: Primary data was processed with Eviews 9.0 in 2021.

The significant value of F is 0.000006 or less than 0.05, as shown by the results of the F-test above. This suggests that the variables of SAP (X₁), SPI (X₂), Human Resource Competence (X₃), and Auditor Independence (X₄) have a considerable impact on the Quality of LKPD (Y) when they are all present (at the same time).

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.499147	3.560432	0.421057	0.6790
X ₁	0.272395	0.186388	1.461439	0.1621
X ₂	0.206179	0.211407	0.975272	0.3431
X ₃	0.011180	0.387903	0.028821	0.9773
X ₄	0.568246	0.885074	0.642032	0.5294

Source: primary data was processed with Eviews 9.0 in 2021

The significance of the F test above can be seen based on the findings. The following can be deduced from the table t-test results:

1. Based on the Prob.value of variable X₁ is 0.16 > significant level (α) 0.05. In partially SAP (X₁) affect the Quality of LKPD (Y) is not significant.
2. Based on the Prob. value of the variable X₂ is 0.34 > significant level (α) 0.05. In partially SPI (X₂) affects the Quality of LKPD (Y) is not significant.
3. Based on the Prob.value of the variable X₃ is 0.97 > the significant level (α) 0.05. In partially Human Resources Competence (X₃) affect the Quality of LKPD (Y) is not significant.
4. Based on the Prob.value of the variable (X₄) is 0.52 > significant level (α) 0.05. In partially Auditor Independence (X₄) affect the Quality of LKPD (Y) is not significant.

Coefficient of Determination Test (R²)

R-squared 0.811222
Adjusted R-squared 0.766804

Source: primary data processed with Eviews 9.0, 2021

The value of Adjusted R² is 0.766, or 76.6%. SAP (X₁), SPI (X₂), Human Resources Competence (X₃), and Auditor Independence (X₄) all have a 76.6% effect on the Quality of Local Government Financial Reports (Y) variable. In contrast, other characteristics or variables not addressed in this study influence the remaining 23.4%.

Conclusion

1. The Government Accounting Standards variable has a significance value of t of $0.16 > = 0.05$. It can be interpreted that partially the Government Accounting Standards variable has no significant effect on the Quality of Local Government Financial Reports.
2. The Internal Control System variable has a significance value of t of $0.34 > = 0.05$. It can be interpreted that partially the Internal Control System variable has no significant effect on the Quality of Local Government Financial Reports.
3. The Human Resource Competency variable has a significance value of t of $0.97 > = 0.05$. It can be interpreted that partially the Human Resource Competence variable has no significant effect on the Quality of Local Government Financial Reports.
4. The Auditor Independence variable has a significance value of t of $0.52 > = 0.05$. It can be interpreted that partially the Auditor Independence variable has no significant effect on the Quality of Local Government Financial Reports.
5. The results of simultaneous hypothesis testing (F test) show that the significance value of F is $0.000006 < = 0.05$, which means that the variables of Government Accounting Standards (SAP), Internal Control Systems (SPI), Human Resources Competence, and Auditor Independence simultaneously affect the Quality of Local Government Financial Reports significantly.
6. The coefficient of determination (R^2) shows that the Adjusted R^2 is 76.6%, based on the test findings. This value indicates that the independent factors have a 76.6% effect on the dependent variable (Y). In contrast, other characteristics or variables not addressed in this study influence the remaining 23.4%.

Other independent variables that potentially affect the Quality of Local Government Financial Reports (LKPD) should be included in future research, such as Regional Financial Accounting Systems, Information Technology, Organizational Commitment, and Regional Management Information Systems. Due to the impact of the Covid-19 pandemic and the implementation of Community Activity Restrictions (PPKM), the sample size in this study was limited; therefore, for future research, it is preferable to increase the sample size and focus on the research object that allows easy access to the desired number of samples. It is preferable to generate detailed indicators for future study so that relevant research can be investigated in greater depth.

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