

QUALITY OF FINANCIAL REPORTS IN PAPUA PROVINCE: WHAT FACTORS INFLUENCE IT?

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Abstract: Government accounting standards, internal control systems, regional government financial accounting systems, and resource competencies were tested to see whether they had an effect or not on the quality of local government financial reports in Papua Province. A total of 57 questionnaires from 27 OPDs were analyzed using multiple linear regression analysis. The results of this research indicate that government accounting standards and human resource competency respectively have an influence on the quality of local government financial reports. In other hand, internal control system and regional government financial accounting system respectively has no effect on the quality of regional government financial reports. It is hoped that the implications of this research can be input for the government of Papua Province to improve the quality of its financial reports.

Keywords: resource competency, quality of regional government financial reports, government accounting standards, internal control system, regional government financial accounting system

INTRODUCTION

Introduction

One concrete effort to realize transparency and accountability in government financial management, both central and regional governments, in accordance with Republic of Indonesia Government Regulation Number 8 of 2006 concerning Financial Reporting and Performance of Government Agencies is by submitting accountability reports in the form of financial reports. Government financial reports must be presented on time and prepared in accordance with government accounting standards in accordance with Government Regulation No. 12 of 2019.

The information contained in regional government financial reports, called LKPD, must meet several qualitative characteristics as required by government accounting standards, namely relevant, reliable, comparable and understandable. The components of the financial reports submitted include budget realization reports, balance sheets, cash flow reports and notes to financial reports (Peraturan Pemerintah Republik Indonesia Nomor 71 Tahun 2010 Tentang Standar Akuntansi Pemerintah (SAP), 2010).

Hidayat et al. (2021) stated that through government accounting standards the financial reports prepared should present good quality information because these standards provide guidelines for preparing LKPD. This is in line with the research of Afifah et al. (2018) which stated that government accounting standards influence the quality of LKPD. However, this is

different from the results of Dwiyulianti (2023) who stated that government accounting standards have no effect on the quality of government financial reports.

LKPD were submitted to government auditors, called BPK, which is an independent auditor who will audit the government's financial reports to determine the level of quality of information in their reports. The opinion given by the BPK describes the fairness of the presentation of regional government financial reports. Until 2022, Papua Province still received an unqualified opinion from the BPK for financial reporting in 2021. Papua Province has received an unqualified opinion 8 times in a row. However, for financial reporting in 2022, Papua Province received a qualified opinion, which indicated that there were several errors in financial administration that could possibly affect the quality of financial reports (Pemerintah Provinsi Papua, 2022, 2023).

Apart from presenting financial reports in accordance with government accounting standards, the quality of the internal control system, regional financial accounting system, and human resource competency will later be taken into consideration in examining the quality of regional government financial reports. The internal control system is seen as being able to improve the quality of financial reports because it has a function that can control the sustainability of the organization. Puspita et al. (2021) stated that the internal control system influences the quality of financial reports. However, these results contradict the research results of Tarigan & Sari (2021) which state that the internal control system has no effect on the quality of financial reports.

Aprisyah & Yuliati (2021) stated that the regional financial accounting system is a computerized procedures starting from data collection to data processing, it means the systems can improve the quality of financial reports because the data were input automatically and computerized. This is supported by Jauhari et al. (2021) who stated that the regional government financial accounting system influences the quality of regional financial reports. However, this is different from Indrayani & Widiastuti (2020) who said that the regional government financial accounting system has no effect on the quality of financial reports.

Based on existing phenomena and research gaps, research was carried out referring to Aswar (2020) research. The novelty of this research is adding the human resource Hartono & Ramdany (2020) competency variable as a determinant of the quality of regional government financial reports. In the process of preparing the financial reports, competent employees are certainly needed because this can affect the quality of financial reports. This is in accordance with Anggreni & Dewi (2022) who stated that human resource competency influences the quality of financial reports. In the other hand, Aprisyah & Yuliati (2021) stated that human resource competency did not affect the quality of regional financial reports.

Research purposes

The aim of this research is to partially test and analyze the influence of the implementation of government accounting standards, internal control systems, regional government financial accounting systems, and human resource competencies on the quality of financial reports in Papua Province.

It is hoped that the results of this research can assist the Government of Papua Province in resolving problems related to improving the quality of Papua Province Regional Financial Reports.

LITERATURE REVIEW

Accounting information decision usefulness theory

The accounting information decision usefulness theory contains components that need to be considered by presenters of accounting information so that the existing coverage can meet the needs of decision-makers who will use it. This theory includes requirements for the

quality of accounting information that is useful in decisions to be taken by users aimed at knowing what information is needed to make decisions (Staubus, 2000).

Stewardship theory

Stewardship theory indicates that there is a strong relationship between the success of an organization and the satisfaction of the organization owner, so managers will follow the goals of the organization owner. This stewardship theory views management as a party that can be trusted to act as well as possible for the interests of the public in general and stakeholders in particular (Puspitarini, 2012). The local government acts as a steward, the recipient of a mandate who is required to provide information that is useful for the organization and users of local government financial information, which illustrates that stewardship in government will be collective and cooperative (Imran, 2013).

Hypothesis development

Stewardship theory views local governments as stewards as parties who can be trusted by the public to act in the best possible way in the public interest. One form of accountability to the public is by presenting financial reports in accordance with applicable standards. The preparation of regional government financial reports refers to Government Regulation no. 71 of 2010 which is a government accounting standard. This standard provides guidelines regarding the accounting treatment of every transaction that occurs in government. If the preparation of financial reports follows applicable standards, it will certainly produce quality financial reports. This is in accordance with research by Ardianto & Eforis (2019), Hartono & Ramdany (2020), and Puspita et al. (2021) who stated that government accounting standards have a positive effect on the quality of local government financial reports.

H1: Government accounting standards influence the quality of Papua Province financial reports

One indicator of achieving the expected organizational goals with an internal control system according to Government Regulation No. 60 of 2008 is the reliability of financial reports. According to the theory of the usefulness of accounting information, reliable financial reports will provide useful information for decision makers. If the information is useful, it indicates that the regional government's financial reports are of high quality. So, the better the implementation of the internal control system, the better the quality of the regional government's financial reports. This is in accordance with research by Aswar (2020), Saraswati & Budiasih (2019), and Puspita et al. (2021) who stated that the internal control system influences the quality of local government financial reports.

H2: Internal control system influences the quality of Papua Province financial reports

The government as a steward is required to provide financial information that is useful for its users. Optimization of regional government financial accounting system can help the government in producing financial reports. Regional government financial accounting system according to Minister of Home Affairs Regulation no. 21 of 2011 is a series of accounting procedures for identifying, recording, measuring, summarizing, and making financial reports. This system is computerized so it is hoped that it will reduce the occurrence of errors. If the financial report is free of misstatements, it indicates good quality of the financial report. This is in accordance with the research results of Aswar (2020) and Jauhari et al. (2021) who stated that the regional government financial accounting system influences the quality of regional government financial reports.

H3: Regional government financial accounting system influences the quality of Papua Province financial reports.

Basically, regional government financial management, especially in preparing financial reports, cannot be separated from the role of employees. Employee competency refers to their

ability to use technology, especially in operating the accounting system and understanding applicable accounting standards (Pattiasina et al., 2021). When employees have these competencies, they can improve the quality of the financial reports they prepare. This is in accordance with the research results of Anggreni & Dewi (2022), Saraswati & Budiasih (2019), and Hartono & Ramdany (2020) who stated that human resource competency influences the quality of regional government financial reports.

H4: Human resources competency influences the quality of Papua Province financial reports.

RESEARCH METHODOLOGY

This research is explanatory quantitative research. The population in the study were all Regional Apparatus Organizations of Papua Province, called OPD, totaling 27 OPDs. The instrument used for data collection was a questionnaire addressed to staff who had been selected as samples using purposive sampling techniques. The criteria used are the OPD secretary, head of the OPD finance sub-division, and OPD expenditure treasurer.

Questionnaire answers are measured using a likert scale, which is rated 1 to 5, where 1 means strongly disagree and 5 means strongly agree. Each variable has indicators so that it can be measured. The quality of financial reports is measured by indicators from research Saraswati & Budiasih (2019), i.e., relevant, reliable, understandable and comparable. SAP implementation is measured using indicators from Ardianto & Eforis (2019), i.e., the presentation of financial reports, accrual-based budget realization reports, and cash flow reports. The internal control system is measured using indicators from Hartono & Ramdany (2020), i.e., control environment, risk interpretation, control activities, information and communication, and monitoring. The regional government's financial accounting system is measured by indicators from Indrayani & Widiastuti (2020), i.e., conformity with accounting standards, accounting recording procedures, and the preparation of periodic financial reports. Human resource competency is measured by indicators from Puspita et al. (2021), i.e., attitudes, knowledge and skills.

Furthermore, the instrument was tested through validity and reliability tests. After that, the classical assumption test was carried out followed by hypothesis testing with the t test based on the results of multiple linear regression analysis, with the equation:

$$QFR = \alpha + \beta_1IGAS + \beta_2ICS + \beta_3RGFAS + \beta_4HRC + \varepsilon$$

QFR : Quality of financial reports

A : Constant

$\beta_1 - \beta_4$: Regression coefficient of each factor

IGAS : Implementation of government accounting standards

ICS : Internal control system

RGFAS : Regional government financial accounting system

HRC : Human resources competency

E : Error

RESULTS AND ANALYSIS

The number of questionnaires distributed was 81; 13 questionnaires were not returned; 68 copies of the questionnaires were returned; and 11 questionnaires were damaged or incomplete, so the number of questionnaires that could be processed was 57, or 70.37%. The characteristics of the respondents are as follows:

Table 1
Respondent Characteristics

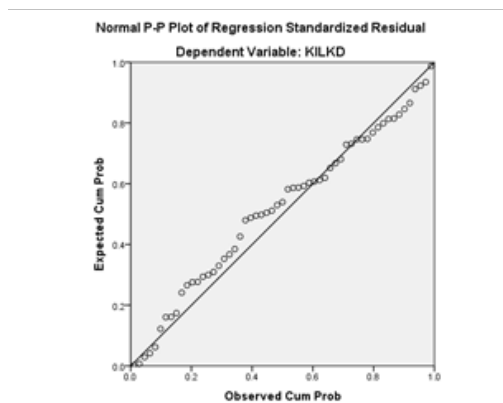
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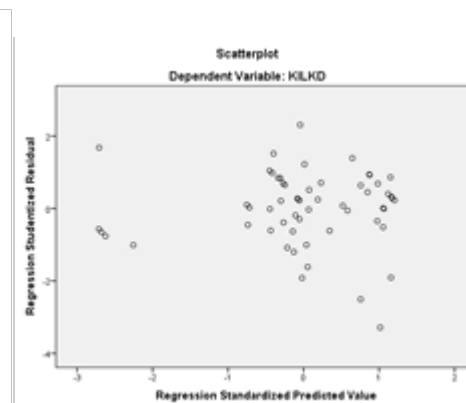
No	Description	Total	Percentage
1	Gender		
	Male	32	56,14%
	Female	25	43,86%
	Total	57	100
2	Age		
	21-30	3	5,26%
	31-40	12	21,05%
	41-50	28	49,12%
	51-60	14	24,56%
	Total	57	100
3	Education		
	Diploma	5	8,77%
	Bachelor degree	27	47,37%
	Master degree	21	36,84%
	Doctoral degree	4	7,02%
	Total	57	100

Source: Processed Data, 2023

The instrument used passed the validity test, where the significance value was < 0.05 and the coefficient value was > 0.6 . Apart from that, the instrument also passed the reliability test, where the Cronbach alpha value obtained was > 0.7 .



Picture 1
Normality test results
Source : SPSS



Picture 2
Heteroskedasitas test results
Source : SPSS

Table 2
Multicollinearity test results

Model	Tolerance	VIF
Implementation of government accounting	0.390	2.564
Internal control system	0.198	5.060
Regional government financial accounting system	0.247	4.056
Human resources competency	0.179	5.575

Source: Processed Data, 2023

Table 3
Results of multiple linear regression analysis

Variable	Unstandardized Coefficients (B)	t count	Sig	Description
Constant	3,071			
IGAS	0,905	5,273	0,000	H1 accepted

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ICS	0,104	0,886	0,380	H2 rejected
RGFAS	0,020	0,096	0,924	H3 rejected
HRC	0,243	2,417	0,019	H4 accepted
R Square	0,816			
Ajusted R Square	0,802			
t table	1,675			
F count	57,719			
F table	2,320			

Source: Processed Data, 2023

The Effect of Implementing Government Accounting Standards on the Quality of Regional Financial Reports in Papua Province

The results of the first hypothesis test show that government accounting standards influence the quality of local government financial reports. Government accounting standards provide guidance in preparing regional financial reports. Implementation of government accounting standards in the process of preparing financial reports will certainly improve the quality of regional financial reports. As a steward, the implementation of government accounting standards carried out by the Papua Provincial Government in preparing financial reports is a responsibility to the public to produce quality financial reports. Pane (2018) explains that the quality of financial reports is directly proportional to the fairness of the financial report presentation. This statement is supported by Ardianto & Eforis (2019), Hartono & Ramdany (2020), and Puspita et al. (2021) which state that the implementation of government accounting standards affects the quality of financial reports.

The Effect of Internal Control System on the Quality of Regional Financial Reports in Papua Province

The results of this research indicate that the internal control system does not have a significant effect on the quality of regional financial reports in Papua Province. The implementation of the government's internal control system according to the average performance results of the Financial and Development Supervisory Agency of Papua Province has not been optimal, with the achievement being less than 100%. Internal control maturity also needs to be continuously improved (BPKP, 2023). However, the regional government's financial reports are still considered fair so that Papua Province can receive 8 consecutive unqualified opinions. Even though in 2022, Papua Province got a qualified opinion, the reliability of the information presented in local government financial reports is useful for decision makers, which is in accordance with the accounting information decision usefulness theory. The research results are supported by Ardianto & Eforis (2019) and Tarigan & Sari (2021) who stated that the control system has no effect on the quality of local government financial reports.

The Effect of Regional Government Financial Accounting System on the Quality of Regional Financial Reports in Papua Province

The results of the hypothesis test show that the regional government financial accounting system has no effect on the quality of regional government financial reports. This shows that whether or not there is optimization of the regional financial accounting system in Papua Province does not affect the quality of regional government financial reports. In 2021, the Papua Provincial Government wants to optimize the accounting system from SIMDA to SIPD, but is hampered by the problem of continuing to use the old accounting system (BPK, 2021). However, the quality of regional government financial reports can still be maintained by achieving an unqualified opinion for the 2021 reporting year (Pemerintah Provinsi Papua, 2022). The results of this research are supported by Atharrizka et al. (2021) and Tarigan &

Sari (2021) who state that the regional government accounting system has no effect on the quality of financial reports.

The Effect of Human Resource Competencies on the Quality of Regional Financial Reports in Papua Province

The results of this research show that human resource competency influences the quality of local government financial reports. Human resource competency plays an important role in preparing financial reports. Placing employee positions that match their competency and duties will improve performance. So that employees who have competence in understanding the preparation of financial reports can influence the quality of the regional government financial reports produced. The Papua Provincial Government's efforts to improve the competency of its employees are by involving employees in training and technical guidance in accordance with their respective duties, the result of which is that the Papua Province can maintain the achievement of an unqualified opinion 8 times in a row (Pemerintah Provinsi Papua, 2022). So it can be concluded that human resource competence influences the quality of local government financial reports. The results of this research are supported by Ardianto & Eforis (2019), Hartono & Ramdany (2020), Syafira & Nasution (2021), and Tarigan & Sari (2021) who state that human resource competency influences the quality of local government financial reports.

CONCLUSION

The results of this research indicate that government accounting standards and human resource competency each have an influence on the quality of local government financial reports. This is different with the internal control system and regional government financial accounting system, each of which has no effect on the quality of regional government financial reports. Different research results can be influenced by government conditions, especially Papua Province, during the research period. This can be a suggestion for future research to research more deeply using qualitative methods related to the results of this research.

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