

The Effect of Implementation Accounting Information System and Competence of Human Resources on the Quality of Financial Reporting

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Abstract

This study is aimed to examine the effect of implementation accounting information systems and competencies of human resource on the quality of financial reporting, the method used was a descriptive survey research methods. The unit of analysis in this research is all local governments' work unit in Lebak Banten Indonesia. Primary data was collected using a questionnaire in which each item studied was measured using a likert scale. The results of this research show that: (1) the implementation accounting information system and competencies of human resource have significant effects on the quality of financial reporting simultaneously (2) the implementation accounting information system has significant effects on the quality of financial reporting and (3) competencies of human resource not has significant effects on the quality of the financial reporting. This study will use a t test by $\alpha = 0.03$ to test hypothesis

Keywords: Implementation Accounting Information System, Competence of Human Resources, Quality of Financial Reporting

1. Introduction

The success of governance in the region can not be separated from the managerial capacity of local government that is fully supported by the capacity of personnel resources, institutional systems and certainly no less important is the ability of local finance (Local go Government Medium Term Development Plan Lebak area 2009-2014, 2013:III-1). The local government must develop and take advantage of the advances in information technology to improve the ability of managing local finance and distributing financial information to the public area. The local financial information systems required in the provision of comprehensive financial information area to the general public as well as the basis for policy makers in making decisions (Budiriyanto, 2013: 1).

Facts show that from the total of 524 local governments, as many as 361 local governments or 68.89% have been using financial information systems, and 163 local governments (31.11%) is not certain the system used in the local financial management. Data of October 2012 provides an overview of financial management used by the government, as many as 223 local governments use local management information systems, 68 local governments using regional finance administration information system, 123 local governments use other systems, and 110 local governments do not use information systems (Halim *et al*, 2012: 8).

Accounting information system is defined as a collection of sub-systems that are interconnected with each other and work together in harmony to process financial data into the required financial information management to help decision-making processes in finance (Azhar Susanto, 2008: 52). Ministry of Home Affairs has been providing accounting information system to be used by local governments in order to produce qualified financial statements, but in reality there are weaknesses in the application of accounting information system of local government. Presentation of financial statements that have not realtime (still in annual/end of year output) and are historical figures, resulting in financial statements can not be fully utilized in the policy-making process / decision everyday (Silviana, 2013: 2). The financial report of the local government as a form of implementation of the budget should be prepared or generated from a reliable local government accounting system, which can be done using a computer application. The use of accounting information systems and financial management of computer-based integrated area will greatly assist officials in preparing and presenting financial report, both in level local government agency or Local government finance unit . (Halim *et al*, 2012: 14).

Human resources as system users are required to have an adequate level of accounting expertise or at least the ability to continue to learn and increase accounting skill. Here the ability of human resources itself was instrumental in generating valuable information (Kesuma *et al*, 2014: 2). The problems in Lebak area, that is lack of quality human resources, low finance capacity of the area, and lack of spread the knowledge of appropriate technology, which makes the rate of economic growth, especially in Lebak area government environments tend slowdown comprehensively (Medium Term Development Plan Area Lebak Year 2009–2014: II-14).

The quality of local government financial report can be reflected from the investigation result of the audit board of the Republic Indonesia. Audit board of the Republic Indonesia of financial report performed in

order to give a statement on the fairness of financial information presented in the financial statements. The criteria for giving statement according to law/s No. 15 Year 2004 concerning the Examination Statement Audit Professionals about the fairness of the financial information presented in the financial statements that are based on criteria (a) compliance with government accounting standards, (b) adequate disclosures, (c) compliance with laws and regulations, and (d) the effectiveness of the internal control system (Ratifah and Ridwan, 2012: 30).

The information contained in Local Government Finance Report should be useful and appropriate to the user's need, free of misstatement of information that may mislead users of financial statements. The financial report produced by the local government will be used by some parties as a basis of decision-making. (audit board of the Republic Indonesia, IHPS II 2013). One of the underlying problems of Local Government Finance Report who did not get an unqualified opinion from audit board of the Republic Indonesia, and faced by many government agencies, both in the center and in the area is a scarcity of personnel resources which have sufficient competence to carry out the financial administration of the region. (Tandjung, 2013: 6)

Qualified opinion in audit board of the Republic Indonesia report on Local Government Finance Report in Lebak area showed that Lebak area still has a few things to be improved, according Efdinal (Audit board of the Republic Indonesia Chairman Representative Banten), it did find some weaknesses, such as administration, inventory and asset valuation still not optimal, mechanism and administration of grants and social assistance expenditures are not optimal, receivables management and the procurement of goods and services ranging from planning to supervision to result in an overpayment, deficiency volume of work that indicated a loss of area and delay the work that has not been subject to penalties (www.bantenraya.com, date accessed October 13, 2014).

The phenomenon of local government financial report is something that is interesting to study further, from the initial observation turned out that in local government financial report there are still many local governments presented data that does not fit, but it also still many irregularities have been found by the audit board of the Republic Indonesia in implementation of the government's financial statement audit (Kesuma et al, 2014).

2. Review of Literature

2.1. Accounting Information System

According to Bagranof et al (2010: 5) accounting information system is a collection of data and processing procedures that produce the information required by the user. As Hall (2010: 9) specifically states that the fundamental purpose of accounting information system is to provide accounting information to external parties, the management and operational personnel. Qualified accounting information obtained from the application of quality accounting information system (Sacer et al, 2006: 6). The fundamental role of accounting information systems in organization is to produce qualified accounting information (Azhar Susanto, 2008: 374).

Widjajanto (2001: 4), accounting information system is a collection of resources, such as human and equipment, which is set to change data into information. This information is communicated to various decision makers. Accounting information systems embody this change manually or computerized. (Mujilan, 2012: 3). Accounting Information Systems is a composition of various forms records, equipment, including computers and equipment as well as communication tools, personnel officers, and closely coordinated reports that are designed to transform data into information needed by financial management.

2.2. Competency of Human Resources

Competency can be expressed from a variety of opinions, both normative and theoretical. Normatively can be noted from the Ministry of Education and Culture Decree No. 045 / U / 2002 that states competency is a set of intelligent and full responsibility of a person as a condition to be considered capable by the community in carrying out duties in certain occupations. (Herlambang et al., 2014) states that competency is sufficient skills to perform a task or as the skills and proficiency required. In the area of good financial management, SKPD must have qualified human resources and competence, which is supported by accounting educational backgrounds, often take part in education and training, and experience in the financial field (Kesuma, 2014). According to the Sudarmanto Boyatzis (2009) mentions that the dimensions of competency, among others: (1) Job-related knowledge, include: knowing and understanding the knowledge in their respective fields concerning duties and responsibilities in the work, knowing main tasks and functions of agency organization, knowing how to use the information, tools and techniques appropriately, (2) Individual skills, include: The ability to finish a job well, to solve problems, to determine the priority issues, to provide information services and (3) Work attitude, include: creativity in work, their high morale, have the ability in planning/organizing

2.3. Local Government Financial Reporting

Financial reporting is a structure that describes how the financial information provided and reported to achieve the goals of economic and social state (Kesuma, 2014: 75). Financial report is a structured report about the

financial position and transactions carried out by a reporting entity. (Nordiawan et al., 2009: 294). (Tanjung, 2013: 11) revealed that each reporting entity has an obligation to report the efforts that have been done and the results achieved in the implementation of a systematic and structured activities in the reporting period for the benefit of: (1) Accountability, responsible for resource management and policy implementation that is entrusted to the reporting entity in achieving the goals set periodically, (2) Management, Helping users to evaluate the implementation of a reporting entity in the reporting period to facilitate the planning, management and control of all assets, liabilities and equity of government for the benefit of society, (3) Transparency, Providing financial information that is open and honest to public based on the consideration that the public has a right to know openly and thoroughly on government accountability in the management of the resources and obedience to the laws and regulations, (4) Intergeneration balance, helps the user to determine the adequacy of the government's revenues in the reporting period to cover all the expenses allocated and whether future generations will be assumed to bear the burden of these expenses and (5) Performance Evaluation, Evaluating the performance of the reporting entity, particularly in the use of economic resources managed by the government to achieve the planned performance.

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. Impelentation Accounting Information System and Quality of Financial Reporting

Accounting Information Systems is a composition of various forms records, equipment, including computers and communication equipment and apparatus, personnel officers, and closely coordinated reports that are designed to transform data into information needed by financial management. (Widjajanto, 2001). One contributing factor in producing high quality financial statements are accounting information systems (AIS), which financial statements resulting from a process that is based on good input, process and output. All of these three aspects must be integrated and sustainable as a foundation of good financial reporting systems. (Silviana, 2013). Research conducted (Pujiswara, Herawati & Sinarwati, 2014), (Abdallah, 2013), (Silviana, 2013), as well as research (Yuliani, 2010) also showed that the implementation or use of financial accounting information systems area has a positive influence on the quality of the financial statements.

3.2. Human Resources Competence and Quality of Financial Reporting

Human resources is the human capital within the organization. Human capital is the knowledge, skills, and abilities that can be used to produce professional services. Human capital is a source of innovation and ideas. Employees with high human capital are more likely to provide consistent service and highly competent (Nurillah & Muid, 2014). So with the availability of competent human resources, can be determined whether a government has been carrying out its duties and functions in a professional, effective, and efficient. So with these competencies promote the establishment of quality financial statements that are free from material misstatement and misleading understanding (Wati, Herawati, & Sinarwati, 2014). Studies conducted (Nurillah & Muid, 2014), (Kesuma, Nadirsyah, & Darwanis, 2014), (Wati, Herawati, and Sinarwati, 2014), (Nuryanto & Nunuy, 2013), Setiyawati (2013), as well as research Sukmaningrum & Harto, 2011) also shows that the competence of human resources or personnel competency / internal auditor has an influence on the quality of financial statements

4. Study Models and Hypotesis

Based on the prior literature discussion, the conceptual model is shown in figure below

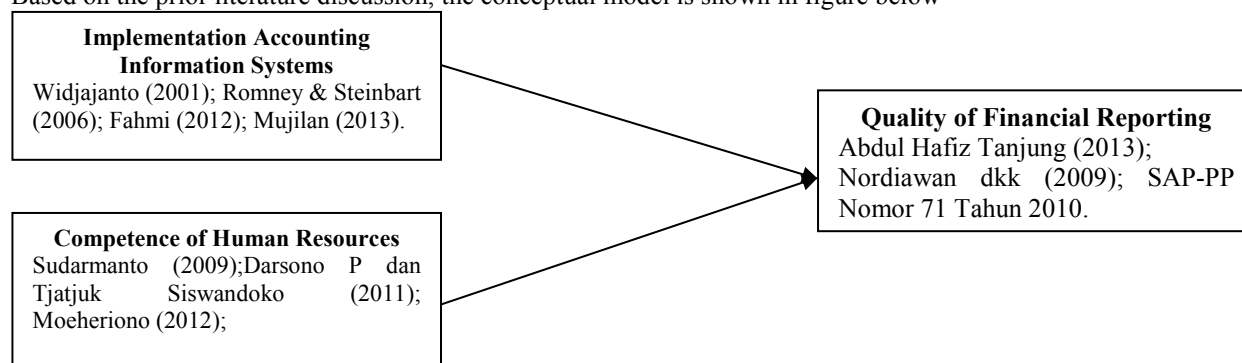


Figure: Theoretical Framework Model

To test this model, the following hypothesis were proposed as follows:

H.1: The implementation accounting information affects the quality of an financial reporting

H.2: Human resource competencies affects the quality of an financial reporting

H.3: The implementation accounting information system and human resource competencies affects the quality of financial reporting simultaneously

5. Methodology

The research objects are the implementation of accounting information systems and human resource competencies on the quality of financial reporting. The population in this study is consists of 30 Local government work unit in Lebak, Banten Indonesia. The observation unit consists of those personnel that are involved in implementing accounting activities, namely: input data processing personnel, financial statement providers, and the heads of accounting departments. 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 variable. The data will be analyzed using regression analysis. Each hypothesis to be tested by a statistical t test: $\alpha = 0.03$ level.

6. Conclusions

The model developed in this study may explain the influence of implementation of accounting information systems and human resource competencies on the quality of financial reporting. Results of this study later, specifically will display components or dimensions of human resources competencies is a major cause of poor quality of financial reporting in Lebak Banten Indonesia and application of accounting information systems to improve the quality of financial reporting in Lebak Banten Indonesia. Thus, based on the findings of this study, the authors propose some suggestions to improve the competence of human resources so that the quality of financial reporting in Lebak Banten Indonesia for the better. Therefore, the application of accounting information system and the competence of human resources have to be increase in order to improve the quality of financial reporting in Lebak Banten Indonesia.

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