

The influence of Competence Local Government Agencies and The Implementation Government of Internal Control System toward the Quality of Local Government Financial Statement

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ABSTRACT

The results audit from government external auditor (Badan Pemeriksa Keuangan (BPK) of the financial statements show the local governments of Bandung until now get qualified opinion. The Government of Bandung City has made improvements, but there are still 12 internal control system weakness and the competence of the local government agencies have not been adequate to financial statements local governments Bandung City. The Regulation (Undang-Undang Nomor 23 Tahun 2014) about the Local Government roles, has been conducted. The policy implementation and the government performance are the responsibility of the Local Government agencies. To support the agencies, the government organizes and conducts the internal control system, government rules (Peraturan Pemerintah Nomor 60 Tahun 2008). Therefore, a good system will be reached if the agencies improve the quality and the competency. The professional attitude will provide an excellent financial report to public sector. The research aims to know the competency and the internal control system of financial statement of the Local government in Bandung. The data collection have been done in 17 Departments of Bandung Government and Inspectorate of Bandung by disseminating a questionnaire to every employees in finance sectors and auditors. The analysis using a multiple linear regression with SPSS 20.0 program for windows. The result shows that with partially nor simultaneously the competency of the Local Government agencies and Internal Control System give a positive impact to the financial statement local government. Expected an improvement in the Government apparatus enhance knowledge and risk of assessment in order to produce a financial statement of the Government get more quality.

Keyword: The Competence of Local Government Agencies, The Government of Internal Control System, The Quality of Local Government Financial Statement

Introduction

The era of globalization demanded the Indonesia government to achieve good governance. Good governance government intended as the activities of a government agency that is run by the people's interests and norms to realize the ideals of the country, while the best practice is the Good Government Governance in order to good governance government can become a reality and goes well, it takes a commitment from all parties, namely the government and society (Sadjijono.2007). Good government Governance is major prerequisite for realizing the aspirations of the community in achieving the goals and ideals of the nation. In such cases, required the development and implementation of appropriate accountability systems, obviously and real so that the government can take place in the administration of effective, efficient, accountable and free from corruption, collusion, and nepotism. (Inspectorate General of the Ministry of the Interior, 2010).

The principle of good governance in the field of financial management country/region is through the implementation of obligations to local governments to draft Local Government Finance Report (LKPD) (Sari.2012). Financial statements in addition to functioning as a form of government responsibility, and as a testament to the commitment and seriousness in undertaking the local government of the people, as well as an information to measure and assess the performance of local governments. Public sector organizations, including government, considered mandatory to increase the cost of the economic and social costs and increase accountability. The demands of the cause accounting can be quickly accepted and recognized as the science needed to manage the affairs of public finances. Public sector accounting which initially specialized on a relatively small profession. However, the current public sector accounting is undergoing a process to become a much needed discipline and substantial existence (Mardiasmo.2002).

Reforms that take place have given color and influence on public administration, which is to put back the function of the government apparatus as a public service (Nofianti.2012). Local government officials as mandated by Law No. 5 of 2014 on State Civil Apparatus determined that as a profession based on principles: baseline; code of ethics and code of conduct; commitment, moral integrity, and responsibility in public service; necessary competence in accordance with its duties; academic qualification; guarantee of legal protection in carrying out the task; and professional positions. Professionalism of local government officials can be seen from the competence of personnel. Competence apparatus in a government agency is a vital element in making

decisions when employees have the knowledge, skills, and attitudes needed to exhibit behavior in performing their duties and functions. Problems facing government today is the limited quality of local government officials, has become a phenomenon which is also the main problems encountered in the implementation of local government in Indonesia (hyacinth, Liestyodono, Purwaningdyah, 2008). Provide public complaints and negative opinions of dubious professionalism of local government officials.

The competence of local government officials considered low, one of the indications that the lack of competence of local officials, especially in the field of accounting is based on the results of the audit of Financial Statements of Local Government Bandung 1st half year 2013 by the Supreme Audit Agency (BPK), which showed only 39 out of 62 or 62, 9% Local Government Unit (SKPD) Bandung city has the government apparatus in accounting. This resulted in lower personnel competency Local Government Finance Report (LKPD) yet showed the maximum results as there are still many CPC opinion stating Local Government Finance Report (LKPD) there is still a disclaimer opinion. Bandung City Government has made improvements from year to year. In the Year 2013, the Government of Bandung has presented spending of grants are supported by the data grantees are valid, not realizing grant shopping unsupported recommendation and only distribute grant funds to recipients specified in the decision to regions (improvement from 2012). However, the Government of Bandung has not (1) Tax receivable correction reduction of administrative receipt of tax receivables are still recorded as receivables tax receivables and tracing; (2) Improve the data in the register details land and building lease receivables; and (3) Present value of fixed assets land that has not been recorded yet been mastered Regional Company (PD) Market Dignity as part of the capital of the Government of Bandung is 9,15 billion; (4) Complete details fixed assets with information about the location of fixed assets, completely and thoroughly.

Differences of this study with previous researchers used a different method that researchers use descriptive methods explanatory. Pregiwa and Akbar using descriptive method verification. Another difference is in the objects and different times. Pregiwa (2013) conducted a study sample at the Regional Office of Financial Management Asset Bandung, Akbar (2014) conducted a study in the City and County of Bandung, while the study was conducted in 2015 and expand the research that is the competence of local government officials will be conducted in 17 offices Bandung, Government Internal Control System and the Quality of Local Government Financial Statements will be made in the Inspectorate of Bandung. Based on the above phenomenon, this study aimed to examine the effect of independent variables such as the competence of local government officials and internal control systems of government on the dependent variable in the form of the quality of local government financial reports.

Review of Literature

Competence Regional Government Agencies

Competence according to the Law No. 13 of 2003 Article 1 (10) on employment is the ability of each individual that includes knowledge aspect, skills, and attitudes that work in accordance with the Regulation Standards of the Minister of Interior of the Republic of Indonesia Number 2 Year 2013 regarding guidelines for Development of Competency-Based Education and Training in the Ministry of the Interior and Local Government, Increased competence of the regional administration is carried out in a system of competency-based training, and developed with the following basic principles:

1. The demand-oriented governance,
2. Encourage increased organizational performance and career development apparatus;
3. Based on work competency of governance;
4. Shared responsibility between officials, government, and society;
5. Part of the professional development of personnel in a sustainable manner; and
6. Organized equitable and non-discriminatory.

Bandung Mayor Regulation No. 323 of 2010 Government Personnel in the field of supervision, the Inspectorate has the main task, namely:

1. Planning monitoring programs is a technical policy formulation in the field of supervision.
2. Facilities surveillance as supporting the implementation of local government in the field of supervision.
3. Inspection, maintenance, testing, and assessment of the implementation of the management supervisory duties in administration, staffing, planning, evaluation of reporting.
4. Implementation of administrative technical services Inspectorate is another official task given the mayor.

Warisono (2008) revealed that SKPD must have competent resources, which is supported by accounting educational backgrounds, often take part in education and training, and have experience in finance in the financial management area good. Based on the description above resources are competent, namely:

- 1) Formal Education

Understanding Education in Law No. 20 of 2003 on National Education System, Article 1 explains that Education is a conscious and deliberate effort to create an atmosphere of learning and the learning

process so that learners are actively developing the potential for him to choose the spiritual power of religion, self-control, personality, intelligence, noble character, and skills needed him, society, nation, and state. Kartikawangi (2002) suggested that education is an indicator of Knowledge: What the person know, that the knowledge of both formal and non formal requirements, such as educational background, GPA, experience. Based on the description above, it can be said that the level of education is often an indicator that shows the degree of one's intellect, the higher the education level, the higher the person's knowledge and intellectual level. An adequate level of education a person more easily carry out their duties, because the good financial management SKPD must have a competent local government officials with a background in accounting or finance background education in order to more easily understand and comprehend the work it does. Education indicators used in this study is the level of formal education of employees, the suitability of competence in education, as well as the ability to confirm the presentation of the report the Government Accounting Standards (SAP) applies.

2) Education and Training

Sofyandi (2013: 113) argue training is a program that is expected to provide a stimulus for someone to be able to improve in certain jobs and acquire general knowledge and understanding of the overall work environment and organization. Rachmawati (2008: 117) in human resources management explained that "Education and training is a central element in the development of employees. In the form of a complex training given to help employees learn the skills that will improve their performance where it will help any company or organization achieve its goals. While educational activities are given to acquire the knowledge that will improve the performance of employees and will help the organization achieve its goals. Education and training of human resources provide a good impact on the performance of local government officials as individuals. This obviously will bring improvements to organizational performance when training and employee development is done in a planned and sustainable, in the area of good financial management, education and training programs for employees of government agencies is quite important, because to produce financial reports required local quality apparatus fully understand the manner and process of preparation of financial statements regions.

3) Work Experience

Experience a person can be obtained directly or indirectly. Direct experience when a person has worked in an organization, and therefore something left the organization and moved to another organization. While the experience is not directly observed events and followed by someone in an organization concerned in spite of itself is not a member of the organization in which the events are observed and followed occur (Siagian, 2007). The preparation of financial statements, on education is expected to have human resources who already have longer work experience in accounting or finance, because in preparing the financial statements required of employees who really understand accounting or finance as well as the rules in the financial statements areas. Based on Government Regulation No. 60 Year 2008 regarding the Government Internal Control System, SPI is a process that is integral to the actions and activities carried out on an ongoing basis by management and all employees to provide confidence on achievement of organizational goals through effective and efficient, the reliability of financial reporting, security of state assets, and compliance with laws and regulations. (PP 60/2008, Chapter I, Art. 1 point 1). Government Internal Control System (SPIP) is the Internal Control System (SPI) held thoroughly in the central government and local governments (PP 60/2008, Chapter I, Art. 1 point 2)

a. Government Internal Control System objectives
SPIP destination according to Government Regulation No. 60 Year 2008 regarding the Government Internal Control System Article 2 paragraph (3), namely: to provide reasonable assurance for the achievement:

- 1) Effectiveness and efficiency of achievement of the objectives of the state government
- 2) Reliability of financial statements
- 3) Security state assets
- 4) Adherence to laws and regulations

b. Benefits of Government Internal Control System

SPIP benefits according to Government Regulation No. 60 Year 2008 regarding the Government Internal Control System, namely:

- 1) Detects errors and fraud in the implementation of the organization's activities.
- 2) Assist the security of assets related fraud, waste, and one that does not suit the purpose of use.

c. Government Internal Control System elements are adapted in Government Regulation No. 60 Year 2008 include:

- 1) Control environment, the leadership of government agencies and all employees must create and maintain an environment in which the organization's overall lead to positive behaviors and support for internal control and sound management, which can be done through:

- a) The enforcement of integrity and ethical values
 - b) Commitment to competence
 - c) Leadership conducive
 - d) Establishment of an organizational structure that fits the needs
 - e) Delegation of authority and responsibility right
 - f) Formulation and implementation of sound policies on human resource development
 - g) The realization of the internal control official role of effective government
 - h) A good working relationship with the relevant Government Agencies
- 2) Risk Assessment, ie internal control should provide an assessment of the risks facing the organization unit both from outside and from the inside, consists of the following activities:
- a) Identification of risk
 - b) Risk analysis
 - c) Activity Control, which helps ensure that the landing led Government Agencies implemented. Control activities must be efficient and effective in achieving the goals of the organization, consisting of:
 - a) the Review on the performance of the relevant Government Agencies
 - b) Development of human resources
 - c) Control over the management of information systems
 - d) physical control over assets
 - e) Determination and reviews the indicators and measures of performance
 - f) Segregation of duties
 - g) Authorization of transactions and events that are important
 - h) Recording of accurate and timely on transactions and events
 - i) Restriction of access to resources and recording
 - j) Accountability to the resource and recording
 - k) Good documentation on the Internal Control System as well as transactions and important events
- 4) Information and Communication, the information must be recorded and reported to the leadership of government agencies and other parties specified. Information is presented in a certain form and means as well as a timely, thereby enabling leaders and government agencies to implement control responsibilities.
- 5) Monitoring Internal Control, the monitoring should be able to assess the quality of performance over time and ensure that audit recommendations and review the other can be immediately acted upon. Basic Law of government internal control system :
- 1) Act No. 1 of 2004 on State Treasury.
 - 2) Article 55 (4): Ministers/Heads of institutions as Budget User/User goods provide a statement that the management of the state budget has been organized by an adequate Internal Control System and financial accounting have been held in accordance with Government Accounting Standards (SAP).
 - 3) Article 58 paragraph (1) and (2): In order to improve performance, transparency and accountability in the management of state finances, the President as the Head of Government to regulate and organize the Internal Control System in the government as a whole. SPI is set by government regulation.

Quality of Local Government Finance Report

Government Accounting Standards PP 71 Year 2010 states that the qualitative characteristics of financial statements 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 necessary normative order of government financial statements can satisfy the desired quality, namely: relevant, reliable, comparable, and understandable. Quality financial statements must meet the elements of the qualitative characteristics of financial statements as follows:

- 1) Relevant
Financial statements can be said to be relevant if the information contained in it can affect user decisions by helping them evaluate the events of the past or the present, by predicting the future, and confirm or correct the results of their evaluations in the past. Accordingly, the financial statements of the relevant information can be linked with the intention penggunaannya. Informasi relevant:
 - a. Have the benefit of feedback (feedback value)
The information allows the user to confirm or correct their expectations in the past.
 - b. Has the benefit of predictive (predictive value)
The information can help users to predict the future based on the results of past and present events.
 - c. On Time
Information is presented on time so as to influence and be useful in decision making.

- d. Complete
Government financial accounting information is presented as completely as possible, include all accounting information that can influence decision-making with regard ada. Informasi constraints underlying each item key information contained in the financial statements disclosed clearly that mistakes in the use of such information can be prevented.
- 2) Reliable
The information in the financial statements are free from errors and misleading understanding of material, presenting any facts honestly, and can diverifikasi. Informasi may be relevant, but if the nature or presentation unreliable then use that information could potentially misleading. The information reliably meet the characteristics:
 - a. Presentation Honest
Information honestly describe transactions and other events should be presented or which may reasonably be expected to be served.
 - b. Can be verified (verifiability)
The information presented in the financial statements can be tested, and if testing is done more than once by different parties, the results still indicate that not much different conclusion.
 - c. Neutrality
Information directed at the general needs and not in favor of the needs of a particular party.
- 3) Can Compared
Information contained in the financial statements would be more useful if it can be compared with prior year financial statements or other reporting entity's financial statements in general. Comparison can be done when an entity apply the same accounting policy from year to year. Comparison externally can be done when an entity comparable to apply the same accounting policies. If the government entity applying accounting policies that better than the current accounting policy is applied, the changes are disclosed in the period of change.
- 4) Can Be Understood
The information presented in the financial statements can be understood by the user and is expressed in the form and terms that are tailored to the understanding of the users. Users are assumed to have adequate knowledge of the activities and the reporting entity's operating environment, as well as the willingness of users to learn the information in question.

Understanding Financial Statements

Bastian (2010: 297) describes the sense of the financial statements of public sector represents the financial position of transactions carried out by a public sector entity.

Kieso, Weygandt and Warfield (2011: 4) defines financial statements; Financial statements are the principal means through the which company communicates its financial information to Reviews those outside it. The statements provide a companies history qualified in money terms. Understanding financial statements in accordance with Government Regulation No. 71 Year 2010 is a structured report on the financial position and transactions undertaken by a reporting entity. The reporting entity is a government unit consisting of one or more accounting entities under the terms of legislation required to submit accountability reports, in the form of general purpose financial statements, which consist of:

- a) Central government;
- b) Local government;
- c) Respective ministries or agencies within the central government;
- d) An organization in the central government/local or any other organization if according to the legislation organizational units shall be present financial statements.

Mardiasmo (2009: 159) says that the accounting and financial statements implies as a process of collecting, processing and communicating useful for decision making and to assess the performance of the organization. Type and Component Financial Statements in accordance with Government Regulation No. 71 Year 2010 Government Regulation No. 71 of 2010 concerning the Government Accounting Standards as a guideline in preparing the financial statements used to date accounting. Basis used in this SAP is the full accrual basis (full accrual). Types and components of financial statements in SAP (Government Regulation No. 71 Year 2010) are:

1. Budget Realization Report (LRA)

Actual Budget report reveals the financial activities of the central government/regions that show adherence to the Budget/Actual Budget APBD. Laporan present an overview of the source, the allocation and use of economic resources that are managed by the government. Budget Realization Report presents at least the following elements: a) revenue LRA; b) expenditure; c) transfer; d) the surplus/deficit-LRA; e) financing; f) residual more/less budget financing. Budget Realization Report illustrates the comparison between the budget realization in the reporting period.

2. **Statement of Changes in Balance Budget Surplus**
Statement of Changes in Balance Budget Surplus present comparatively with the previous period regarding the following items: a) budget balance early; b) the use of budget surplus; c) the remaining more / less financing current budget; d) correction of accounting errors the previous year; e) others; f) the final budget surplus.
3. **Balance Sheet**
Balance Sheet describes the financial position of an entity's reporting of assets, liabilities, and equity at a certain date. Balance presents a comparatively with the previous period the following items: a) cash and cash equivalents; b) short-term investments; c) tax and non-tax receivables; d) inventories; e) long-term investment; f) fixed assets; g) Short-term liabilities; h) Long-term liabilities; i) equity.
4. **Statement of Cash Flows**
Cash Flow Statement provides information regarding the use of resources, changes in cash and cash equivalents during the accounting period, and the balance of cash and cash equivalents on the reporting date. Incoming and outgoing cash flows are classified by operating, investing, financing. Cash Flow Statements and disclosures related to cash flows is set in the Government Accounting Standard No. 03 on Cash Flow Statement.
5. **Operational Reports**
Financial report includes statements that present operational items as follows:
 - a. Revenue-LO from operasinal activities;
 - b. The burden of operations;
 - c. Surplus/deficit of Activity of Non-Operational, if any;
 - d. Extraordinary items, if any;
 - e. Surplus/deficit-LO.
6. **Statement of Changes in Equity**
Statement of Changes in Equity presents at least the posts:
 - a. Initial equity
 - b. Surplus/deficit-LO in the period in question;
 - c. Corrections directly add/subtract equity, which among others came from the cumulative impacts caused by changes in accounting policies and correction of fundamental errors, for example:
 - (1) correction of fundamental errors of inventories that occurred in prior periods;
 - (2) changes in the value of fixed assets due to revaluation of fixed assets.
7. **Notes to Financial Statements**
In order to be used by the user in understanding and comparing with other entity financial statements, notes to the financial statements disclose the following:
 - a. General Information about the Reporting Entity and Entity Accounting;
 - b. Information about fiscal policy/financial and macroeconomic;
 - c. Overview achievement of financial targets for the year following the reporting constraints and obstacles faced in revenue targets;
 - d. Information about the basis of preparation of financial statements and accounting policies selected for implementation of transactions and other important events;
 - e. Details and explanation of each item presented on the cover sheet of financial statements;
 - f. The information required by the Government Accounting Standards that is not presented in the financial statements cover sheet;
 - g. Other information necessary for the fair presentation, is not presented in the financial statements cover sheet.

Notes to the Financial Statements are presented systematically. Each item on the Budget Realization Statement, Statement of Changes in Budget Surplus Balance, Balance Sheet, Statement of Operations, Statement of Cash Flows, and Statement of Changes in Equity should have a cross-reference to related information in the notes to Financial Statements. Mardiasmo (2009: 161) in general, the purpose and function of the financial statements of the public sector are:

 - 1) **Compliance and Management (compliance and stewardship):**
Financial statements are used to provide assurance to users of financial statements and the ruling authority that resource management has been conducted in accordance with the legal provisions and other regulations that have been established.
 - 2) **Accountability and Reporting Retrospective (accountability and retrospective reporting):**
Financial statements are used as a form of accountability to the public. Financial reports used to monitor performance and evaluate the management, provide the basis for the observed trend between the period of the attainment of set objectives, and compare it with the performance of other similar organizations, if any. The accounts also allow outside parties to obtain cost

- information on goods and services received, as well as allowing them to assess the efficiency and effectiveness of resource users organization.
- 3) Planning and Information Authorization (planning and authorization information):
Financial report serves to provide a basis for policy planning and activity in the future. Financial report serves to provide background information regarding the authorization of the use of funds.
 - 4) Continuity organization (viability):
Financial report serves to assist the reader in determining whether an organization or business unit can continue to provide goods and services in the future.
 - 5) Public relations:
Financial report serves to provide the opportunity for organizations to put forward a statement on the achievements that have been achieved to the user that is affected employees and financial. Laporan serves as a communication tool with the public and other parties concerned.
 - 6) Sources of facts and figures:
Financial report aims to provide information to the various interest groups that want to know more in the organization.

Theoretical Framework

Head of Local Government Accountability Financial and Development Supervisory Agency Central Java, said there are three things that cause bad local governments in financial reporting. First, the existing human resources are not educational background in accounting. Second, the implementation of the financial system that is less good. Third, the change in the budget system of dynamically balanced budget into performance-based budgeting (Wahyudi, 2009). Based on this, it can be interpreted that the human resources of local governments should have competence in the field of accounting education to prepare financial statements in order of quality. Previous researchers, Amran (2009: 2397-2413) in the Journal of Gorontalo Ichsan stated that human resources is one of the factors that determine the success of an agency, with competent resources will certainly affect on the quality of the resulting financial statements. In the context of governance, through Government Regulation No. 60 of 2008 the government established the existence of an internal control system that should be implemented, both at the central and local governments. The system of internal control is a process that is integral to the actions and activities carried out continuously by management and all employees to provide reasonable assurance on the achievement of organizational goals through effective and efficient, the reliability of financial reporting, security of state assets, and compliance with regulations legislation.

The internal control system is useful for controlling the activities of government in order to achieve effective management of state finances, efficient, transparent, and accountable. Arens et. al. (2006) were converted translated by Herman Wibowo describes three general objectives of management in designing an effective system of internal control, namely: (1) reliability of financial reporting, (2) Efficiency and effectiveness of operations, and (3) Compliance with Laws and Regulations. The reliability of financial reporting is one of the characteristics of financial statements in accordance with Regulation 71 of 2010, means that an effective system of internal control may affect the reliability of financial reporting. One of the objectives of the Internal Control System according to Regulation No. 60 Year 2008, namely to provide adequate confidence in achieving organizational goals through the reliability of financial reporting. Internal Control Systems weaknesses affect the fairness of the presentation of the financial statements. Enforcement of Government Internal Control System (SPIP) is based on the need for a system that can provide reasonable assurance that the implementation of the activities at a government agency can achieve its objectives in an efficient and effective financial management report states reliably, securing state assets, and encourage adherence to legislation.

State Auditing Standards Compliance (SKPN), in the examination of the Financial Statements of the Government, the CPC consider internal control system to determine inspection procedures for the purpose of forming an opinion on the financial statements and are not intended to provide assurance on internal control system. Thus adequate internal controls will create the achievement of the quality of financial statements better. Competence influence Regional Government Agencies and Government Internal Control System on the Quality of Government Finance Report. Law Number 23 Year 2014 regarding Regional Government has been enacted, the role of government officials, especially in the area will be decisive as implementers of government activities and development, as outlined in Article 211 "apparatus of state civil servants as referred to in Article 208 paragraph (2) (regional secretariat, the secretariat of Parliament, inspectorates, departments, agencies) must meet the technical competency requirement; managerial; and sosial cultural. To support the role of government officials in carrying out the tasks of government, government regulate and organize the Internal Control System (Government Regulation No. 60 of 2008) in the government as a whole. Therefore, a system will be realized if the regional government bodies have sufficient quality and competence also has high professionalism to be able to perform the duties of governance and development that lead to the provision of excellent service to the community, one of them in presenting the financial statements quality.

Model and Hypothesis

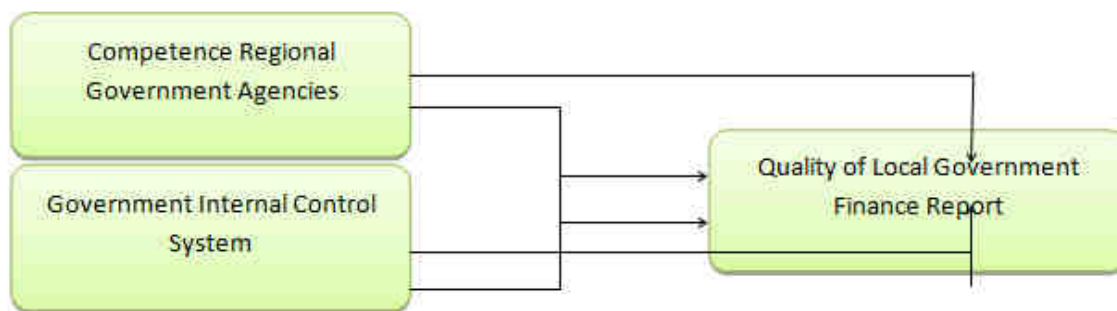


Figure 1 : Theoretical Framework

Based on the background and framework described, the authors propose the following hypothesis:
H1: Competence Regional Government Agencies affect the quality of Local Government Finance Report.
H2: Government Internal Control System affect the quality of Local Government Finance Report.
H3: Competence Regional Government Agencies and Government Internal Control System affect the quality of Local Government Finance Report.

Methodology, Finding and Discussion

The method used in this research is explanatory with survey approach, where research aimed to analyze the relationships between one variable with another variable or how a variable affects other variables. Because this study aimed to find out what and how much the factors thought to affect a variable (Mudrajat Kuncoro, 2007 in Meiryani, 2014). The collection of data necessary to carry out research at the Department and Inspectorate Bandung conducted by distributing questionnaires and literature study. Independent Variable is the Competence Regional Government Agencies and Internal Control System Government. Dependent Variable is Quality of Local Government Finance Report. For testing purposes, then these variables need to be spelled out so as to have the indicators of each variable. Testing the validity of using the product moment correlation (validity index) which point statement declared invalid if the correlation coefficient of 0.30 grains \geq statement. The test results showed all its value \geq 0.30 point statement, then declared invalid, while the reliability test using cronbach alpha method and results expressed reliable if the reliability coefficient greater than 0.70. Reliability testing results showed all values \geq 0.70 point statement, it is stated reliably. Local Government Personnel Competence influence on the Quality of Government Finance Report Bandung.

Based on the results of processing t count of variable competence of local government officials is 3.685 with a significance value of 0.002. Because t count (3.685) is greater than t table (2.145), then the confidence 5% so it was decided to reject Ho Ha accepted, meaning that there is a significant influence on the competence of local government officials on the quality of financial reports to the government of Bandung. These test results provide empirical evidence that higher competence of government officials areas make financial reports in Bandung City government more qualified. The competence of local government officials partial impact of 37.4% on the quality of financial reports to the government of Bandung. Based on the results of processing as found tcount of the internal control system variables 3,182 government with a significance value of 0.007. Because t count (3.182) is greater than t table (2.145), then the confidence 5% so it was decided to reject Ho Ha accepted, meaning that there is a significant influence of the government's system of internal control of the quality of financial reports to the government of Bandung. These test results provide empirical evidence that the better the internal control system the government will make a financial report on the government of Bandung more qualified. Internal control systems of government partially by 28.8% impact on the quality of financial reports to the government of Bandung. This is in line with the one objective of the Internal Control System according to regulation No. 60 Year 2008, namely to provide adequate confidence in achieving organizational goals through the reliability of financial reporting. Results of this study was also supported by previous researchers (Pregiwa.2013) on Influence Competence of Human. Competence influence Government Personnel and Internal Control System for Quality Government Local Government Finance Report Bandung.

Based on the results of processing F count value of 13.705 with a significance value of 0.001 = 0.05 and the degrees of freedom of 2 and 14 is equal to 3.739. α then the value F table at a significance level of 5% because F count 13.705 is greater than the F table 3.739, then the error rate of 5% so it was decided to reject Ho Ha accepted, meaning that there are significant competence of local government officials and government internal control systems simultaneously on the quality of financial reports to the government of Bandung. Results found that the simultaneous determination of competence of local government officials and internal

control systems of government affect positively on the quality of local financial statements at 66.2% while the remaining 33.8% are other factors that are not used in this study. The competence of local government officials is more influential of 37.4% compared to the internal control system of government that is equal to 28.8% of the quality of government financial reports. The results are consistent with law no. 23 year 2014 on Regional Government has been enacted, the role of government officials, especially in the area will be decisive as implementers of government activities and development. To support the role of government officials in carrying out the tasks of government, government regulate and organize the Internal Control System (Government Regulation No. 60 of 2008) in the government as a whole. Therefore, a system will be realized if the regional government bodies have sufficient quality and competence also has high professionalism to be able to perform the duties of governance and development that lead to the provision of excellent service to the community, one of them in presenting the financial statements quality. Akbar pointed out that the internal control does not affect the quality of Local Government Finance Report because at that time Intern Control System at the Inspectorate of Bandung has not been running and is still in the process of formation of the task force. While Human Resources has an influence on the Quality of Government Financial Statements.

Conclusion and Recommendation

This study aimed to examine the effect of independent variables such as the competence of local government officials and internal control systems of government on the dependent variable in the form of the quality of local government financial reports. Here is the conclusion of the results of this study:

- 1) Based on the results of data processing can be concluded that the competence of the officers partially significant effect on the quality of local government financial statements Bandung, meaning that local government officials in 17 departments Bandung quite have sufficient competence that have the skills, knowledge and attitudes in financial reporting.
- 2) Testing using partial test shows that the internal control systems of government affect the quality of local government financial statements Bandung, meaning that the system of internal control in the inspectorate of Bandung city government has implemented well, namely the control environment, risk assessment, control activities, information and communication and monitoring activities in accordance with the instructions also refer to the principles of internal control.
- 3) The higher the internal control system of government, the local government financial statements produced will be more qualified.
- 4) Testing with simultaneous test shows that the competence of local government officials and internal control systems of government affect the financial statements of local governments quality Bandung. This means that the better the competence of local government officials and the government's internal control system will improve the quality of financial reporting in the Government of Bandung.

Recommendation

Based on the results of the study, the authors put forward suggestions which is expected to be a useful input for the parties concerned as follows:

- 1) For the department of Bandung city is expected to further improve the knowledge and conduct trainings on local government officials in order to further improve the quality of financial reports government Bandung and get a WTP opinion of the CPC because according to the results of this study that the competence of local government officials in 17 departments including in the category quite well.
- 2) For the inspectorate of Bandung is expected to improve the internal control system of government that is applied mainly in the risk assessment. This needs to be done, in accordance with the score of respondents to variable internal control system of government only enters the category quite well. The executor is responsible can have supervision or control over activities adequately for the purpose of internal control systems can be achieved with good.
- 3) For further research is expected to widen the area of research and do not just use some SKPD but also includes institutions such as body technicians, as well as expanding area of research that is LKP West Java Province. In addition research can further examine other variables related to the quality of financial reporting areas such as Regions Financial Supervision by Parliament, Regional Financial Accounting System, Application of Good Governance, Government Accounting System Implementation and Technology.

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