

The Effect of The Government Accounting Standards Implementation and Apparatus Competency on the Quality of the Local Government Financial Reporting (Case Study at Klaten District Government)

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Abstract

This study aims to determine the effect of Government Accounting Standards Implementation and Apparatus Competence on the the Quality of Financial Reporting. The samples of this research are the head of accounting department, head of financial sub-section and reporting and employees of accounting department. This research was conducted on 60 respondents by using qualitative descriptive approach. The results of this study indicate that the competence of the Apparatus has a significant effect on the Quality of Financial Reporting, while the implementation of Government Accounting Standards has no significant effect on the quality of financial reporting.

Keywords: Implementation of Government Accounting Standards, Apparatus Competence and Quality of Financial Reporting

1. Introductions

The increased of public demand for the transparency of regional financial information has encouraged the central and local governments to improve the quality of local financial reports. Local government financial reports are very important to be used as a basis for economic, social and political decision-making, then the financial statements presented must be of good quality.

The quality of financial reporting relates to the accuracy of corporate financial reporting that reflects the operating performance and its usefulness to forecast future cash flows (Robinson et al., 2009:73). The quality of financial reporting is a financial report that complies with standards and regulations, or financial reports that meet the needs of users (Kerry Hicks, 2014:12). The quality of financial reporting can also be defined as the loyalty of information submitted by the financial reporting process (Martines and Ferrero, 2014: 52).

The general purpose of financial report is a report aimed at meeting the common needs of most report users including the legislative body as defined in the provisions of legislation (Mahmudi;2016: 275). The financial statements should be prepared in accordance with the standard which corresponds with Government Regulation No. 24/2005 updated by Government Regulation Year 2010 on government accounting standards. The local government financial statements will be annually reviewed by the Supreme Audit Agency (BPK) and subsequently accountable to the Regional People's Representative Assembly (DPRD).

Looking at the targets of the government financial statements in terms of financial statement users are as follows: financial reporting should help the government to account for state finances and enable users of financial statements to assess its accountability, financial reporting should be able to help users assess the operation results of government entities in a period, financial reporting should help users in improving the level of service that the government entity can provide and the ability to fulfill its obligations accordingly (Muindro, 2008: 44).

Qualified financial statements according to Government Regulation No. 71 of 2010 are financial reports that have relevant, reliable, comparable and understandable characteristics. Relevant means that information contained within it can influence user decisions by helping them evaluate past or present events and predict the future, as well as affirming or correcting their evaluation results in the past. Reliable is that information in the financial statements is free from misleading notions and material mistakes, presents every fact honestly, and can be verified, can be compared with the previous period financial statements or other entity financial statement reporting. Understandable is in the sense of being understood by users and expressed in terms and terms tailored to the limits of user's understanding to learn the information in Government Regulation 71, Year 2010.

Based on the results of the examination conducted by the Supreme Audit Agency (BPK) of the Republic of Indonesia in the Examination Results Summary of the First Semester I of 2017 of 537 Financial Statement of Local Government (FSLG) year 2016, it shows that the opinion of Unqualified given to 375 (70%) FSLG, Qualified opinion on 139 (26%) FSLG, Disclaimed opinion to 23 (4%) FSLG, there are still 30% of FSLG who get opinions other than unqualified opinion, so the factors that affect the quality of financial reporting need to be reviewed.

There are areas that have decreased the quality of financial reporting, one of the regions that have decreased the quality of financial reporting is Klaten District. Based on the summary of the results of the examination

semester 1 year 2016 Klaten District get unqualified opinion, but based on the summary of the results of examination semester 1 year 2017 Klaten District get opinion qualified opinion. According Jaka Sawaldi (2016) there are several things related to compliance with laws and regulations that become consideration Klaten District does not get unqualified opinion. The first relates to the provision of services in the Education Office, both related to budgeting and the implementation of special financial assistance that is not in accordance with the provisions (www.solopos.com).

Accounting Standards are guidelines or principles governing accounting treatment in the preparation of financial statements for the purpose of reporting to financial statement users, while accounting procedures are special practices used to implement the standards. To ensure that the procedures are in place, public sector accounting systems must be supplemented by an internal control system on public revenue and expenditure (Mardiasmo, 2009: 161). The application of Government Accounting Standards (GAS) is the accounting principles applied in preparing and presenting the Financial Statement of Local Government (GR 71 of 2010) which has the legal power in an effort to improve the quality of FSLG in Indonesia which is in line with the research results of Suwanda (2015), Nugraeni and Budiantara (2015) and Indrawan et al (2017). However, the research results of Inapty and Martiningsih (2016) show that the implementation of Government Accounting Standards (GAS) does not affect the quality of financial statement information reporting.

Apparatus competence is an important factor in making local financial report. Competencies include a broad set of knowledge, skills, attitudes and behaviors that can be technical, related to interpersonal or business-oriented skills. Dick Grote recommended the inclusion of cultural competencies such as ethics and integrity for all jobs. He added that there are also specific competencies for each job (Wayne, 2008: 261). Apparatus competence can also be seen from the performance of employees. Performance is the result of work in quality and quantity achieved by employees in performing their duties in accordance with the responsibilities given to them (Anwar, 2009: 67). Based on the understanding of competence and performance, it can be determined the importance of apparatus competence in accordance with educational background in the field of accounting to produce qualified financial reporting.

Based on research of Hertati (2015), Indrawan et al, (2017, Nurlis and Yadiati (2017), competence of human resources has a significant effect on the quality of financial reporting information. On the contrary, the results of research conducted by Inapty and Martiningsih (2016), and Akhmad (2014) show that the apparatus competence has no effect on the quality of financial reporting information. This research was conducted in Klaten Distric because of the decrease of opinion from unqualified to qualified opinion in 2017, so it is interesting to investigate the cause of the decrease of opinion.

Financial Statement of Local Government is a combination of financial statements produced by several working units from local government (SKPD) existing in the area, in other words if the quality of Financial Statement of Local Government is not good, it is the reflection of the poor quality of reports produced by working units from local government of the area. This research is important to identify the causes of the low quality of financial statements prepared by several working units from local government (SKPD) and provide solutions to the problem so that it can be used as consideration by local government in producing quality financial report according to Government Accounting Standards and reliable as a consideration to make decisions after the reporting period. Thus the question in this research is, is there any influence of Government Accounting Standard implementation (SAP) and apparatus competence on the quality of financial reporting?

GAS implementation until obtaining the Supreme Audit Agency (BPK) opinion is a long process series. The giving of opinion on the fairness of the financial statements is based on the compliance with GAS, adequate disclosure, compliance with statutory regulations, and effectiveness of the internal control system. Unqualified opinion obtained is not an instant result, but through a structured process by prioritizing revamping of functions and internal control system. On the other hand, the auditors are not only required to have reliable competence but also must be ethical, and crowned with honesty.

2. Framework of Thinking and Hypotheses

IPSAS (International Public Sector Accounting Standard) is an accounting standard for public sector organizations that applies internationally and can be used as a reference by countries around the world to develop special public sector standards in the country. IPSAS aims to: improve the quality of the main objectives in reporting public sector finances, to inform more clearly the allocation of resources allocated by public sector entities, to increase transparency and accountability of public sector entities (Nordriawan, Hertianti, 2010: 29).

The implementation of Government Accounting Standards are the accounting principles adopted in preparing and presenting FSLG which have the legal power in an effort to improve the quality of FSLG in Indonesia, in line with the research results of Suwanda (2015), Nugraeni and Budiantara (2015) and Indrawan et al (2017) stating that the application of Government Accounting Standards has an influence on the quality of financial reporting. Based on the above description, the hypothesis proposed is, H1: The Implementation of Government Accounting Standards has an influence on the Quality of Financial Reporting.

The limited number of government officials with educational background in the field of accounting makes the lack of understanding or control of the apparatus of Regional Work Unit (SKPD) in managing local finances properly and correctly which results in waste of materials, time and energy. Therefore, in order to carry out the responsibilities and produce financial statements that meet the characteristics of reliability, the capacity of human resources who implement the accounting system is very important (Karmila, Tanjung and Darlis, 2014).

Training for employees is a process of teaching certain knowledge and skills, and attitudes so that employees are more skilled and able to carry out their responsibilities better, in accordance with the standards. Usually, the training refers to the development of work skills (vocational) that can be used immediately. In this case, the financial benefits for the company usually occur quickly. On the other hand, education provides knowledge of a particular subject, but it is more general and structured for a longer period of time (Syafri, 2011). In line with the research results of Indriasih and Koeswayo (2014), Hertati (2015), Indrawan et al, (2017 and Nurlis and Yadiati (2017), competence of human resources has a significant effect on the quality of financial statement information. Based on the above description, the hypothesis proposed is, H2: Apparatus competence affects the quality of financial reporting.

From the description and development of the above hypothesis, the conceptual framework of this study can be figured in the picture below:

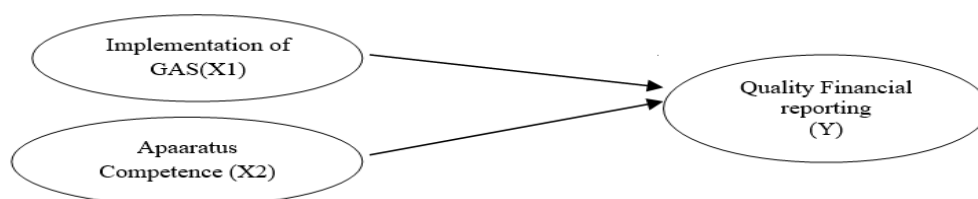


Figure 1 Research Conceptual Framework

3. Research Method

The research method used in this research is causal and quantitative descriptive research, a research used to test the hypothesis on the influence of Government Accounting Standard (GAS) Implementation and apparatus competence to the quality of local government financial reporting. This study was conducted on the leaders and staffs involved in the preparation of financial statements in 23 SKPD in Klaten District Government, Central Java Province. The data used in this study are primary data obtained with the help of questionnaire instruments using Likert scale.

Table 1 Operationalization of research variable

Type of Variable	Indicator
Implementation Of Government Accounting Standard (X1)	a. Accrual Basis
	b. Presentation of Budget realization report
	c. Operating Activities
	d. Presentation of complete information on items on the financial statements
	e. Inventory recognition
	f. Recognition of investment
	g. Fixed asset valuation
	h. Treatment of construction accounting
	i. Recognitions of obligation
	j. Accounting treatment of error correction
	k. Presentation of consolidated financial statements
Kompetensi Aparatur (X2)	l. Presentation of operational report
	Souecesr : PP 71 Year 2010
	a. Description of main tasks according to function
	b. Knowledge of accounting cycle
	c. Knowledge of the rules applied
	d. Ability in preparing financial statements
	e. Education and Training
	f. Ability in preparing financial statements
g. Refuse to intervene which may lead to violation	
Quality of Financial Keuangan (Y)	Sources : UU 13 Year 2003,
	a. Has relevant benefits
	b. On time
	c. Complete
	d. Presentation of honest financial report
	e. Free from material mistakes
	f. Netrality
	g. Can be compared with previous period
	h. Can be understood by the users
Source : PP 71 year 2010.	

Data analysis technique used in this research is Partial Least Square (PLS) -SEM. The evaluation model of PLS is done by assessing the outer model and inner model.

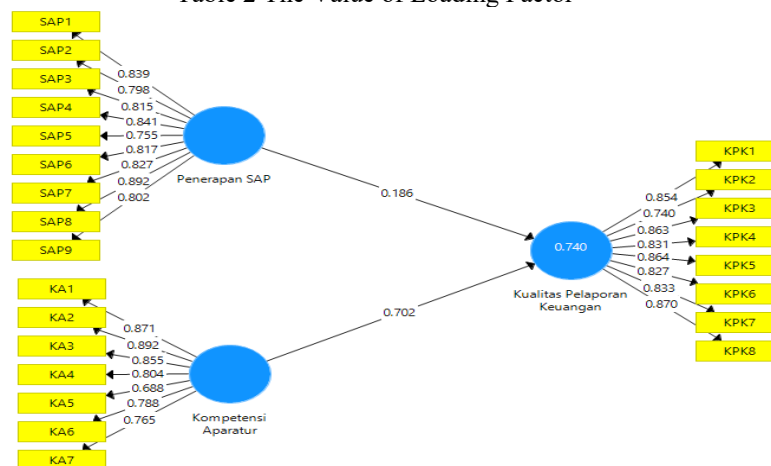
4. Data Analysis

The model estimation process above is done by using the help of SmartPLS program application.

a. Evaluation Measurement (Outer) Model

In the Validity Test with Convergent Validity obtained the loading factor value $\geq 0,5$, so it can be said all the indicators are valid, included in the model.

Table 2 The Value of Loading Factor



Source, processed primary data, 2018

In the reliability test, all indicators of research variables have a value of composite reliability and cronbach alpha more than 0.7, so it can be said reliable.

Table 3 Validity Test

Outer Loadings

	Kompetensi A...	Kualitas Pelap...	Penerapan SAP
KA1	0.871		
KA2	0.892		
KA3	0.855		
KA4	0.804		
KA5	0.688		
KA6	0.788		
KA7	0.765		
KPK1		0.854	
KPK2		0.740	
KPK3		0.863	
KPK4		0.831	
KPK5		0.864	
KPK6		0.827	
KPK7		0.833	
KPK8		0.870	
SAP1			0.839
SAP2			0.798
SAP3			0.815
SAP4			0.841
SAP5			0.755
SAP6			0.817
SAP7			0.827
SAP8			0.892
SAP9			0.802

Sources, processed primary data, 2018

Table 4 Reliability Test

Construct Reliability and Validity				
Matrix	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance
	Cronbach's Al...	rho_A	Composite Rel...	Average Varian...
Kompetensi Ap...	0.913	0.923	0.931	0.659
Kualitas Pelapo...	0.938	0.939	0.949	0.699
Penerapan SAP	0.939	0.942	0.949	0.675

Source, processed primary data, 2018

b. Structural Model Test/Hypothesis Test (Inner Model)

Inner model testing is the development of concept-based models and theories in order to analyze the relationship between exogenous and endogenous variables which has been described in the conceptual framework. The testing phase of the structural model (inner model) is done by the following steps:

i. Accuracy Model test

To assess the goodness-fit model is by looking at the R-square value found in the PLS Algorithm report, as shown in Table 4. From the result of data processing, R² value is 0.740, this result indicates that the application of SAP and the Apparatus Competence is able to contribute to the quality of financial reporting (KPK) of 74%, the remaining 26% contribution comes from the not observed variables in the current research model.

Table 5 Accuracy Model Test

R Square		
Matrix	R Square	R Square Adjusted
	R Square	R Square Adjus...
Kualitas Pelapo...	0.740	0.731

Source, processed primary data, 2018

ii. Hypothesis Test

Next, in testing the hypothesis of this study, it was found that:

- 1) The implementation of SAP has no effect on the quality of financial reporting (KPK). It is indicated by the value of t statistics of 1.327 which is much smaller than t table at the 0.05 level of 1.96. In addition, by looking at the amount of P Value of 0.185 which is very much greater than the level of uncertainty of 0.05. The influence amount of SAP Implementation on the quality of financial reporting is only 3% obtained from 0.1862 x100%.
- 2) Apparatus Competence has a positive and significant effect on the quality of financial reporting (KPK).

These findings are based on the statistical t value of 4.733 greater than t table at the 0.05 level of 1.96. It can also be analyzed by looking at the amount of P Value of 0.000 which is smaller than the 0.05 level of uncertainty. The influence amount of Apparatus Competence on the quality of financial reporting is 49% obtained from 0.7022 x100%.

Table 6 Hypothesis Test

Path Coefficients					
Mean, STDEV, T-Values, P-Val...	Confidence Intervals	Confidence Intervals Bias C...	Samples	Copy to Clipboard:	
	Original Sampl...	Sample Mean (...)	Standard Devia...	T Statistics (O...	P Values
Kompetensi Aparatur -> Kualitas Pelapor...	0.702	0.674	0.148	4.733	0.000
Penerapan SAP -> Kualitas Pelaporan Ke...	0.186	0.220	0.141	1.327	0.185

5. Discussion

The Influence of SAP Implementation on the Quality of Financial Reporting

This study rejects the agency theory because the implementation of government accounting standards does not support the quality of financial reporting. In the agency theory (agency theory), it states a delegation relationship in which the government apparatus has the responsibility to present quality financial statements.

Due to the lack of clarity and understanding of the current government accounting standards, the results of the financial statements are less qualified. The transition of cash-based accounting standards to accruals is so dominant that the Klaten regency government has not yet fully understood the accrual government-based accounting standards, particularly the capital expenditures and other accounts.

Based on respondents' answers, it is known that the implementation of government accounting standards has not been effectively applied. This is due to the unpreparedness of local governments in the implementation of accrual basis of accounting standards. Based on Government Regulation Number 71 Year 2010 concerning government accounting standards (SAP) supported by Regulation of the Minister of Domestic Affairs (Permendagri) Number 64 Year 2013 regarding the Implementation of Accrual Based SAP to Local Government, The unpreparedness of local government in presenting the financial statements with accrual basis accounting recording in 2015 still use cash-based record. In fiscal year 2016, all local governments are required to use accrual-based records, but lack of employee commitment results in ineffective implementation of accrual-based government accounting standards.

The results of this study also supported by the results of research conducted by Inapty and Martiningsih (2016) show that the implementation of Government Accounting Standards (SAP) does not affect the quality of financial statements reporting information.

a. The Influence of Apparatus Competence on the Quality of Financial Reporting

One important factor determining the quality of financial reporting is the competence of the apparatus. Apparatus Competence existing in Klaten indicates that the apparatus that obtains power in managing the regional finance has not yet been able to prepare the financial statements according to Regulation no. 71 of 2010 due to the big number of apparatus with non-accounting education background, average working period of less than 4 years and lack of training resulting in difficulties in the process of preparing financial statements.

The results of this study also supported by research conducted by Nuryanto, Afiah (2013), Indrawan, et al (2017) and Nurlis, Yadiati (2017) produce the same thing that is human resource competence affects the quality of financial reporting.

6. Conclusion and Suggestion

The Implementation of Government Accounting Standards has no effect on the quality of financial reporting. This is due to the ineffectiveness of the Implementation of Government Accounting Standards in Klaten District. The still less experienced of the financial apparatus in compiling the financial reporting is due to the average staff work in the field of accounting less than 4 years.

Apparatus Competence has an influence on the quality of financial reporting, where the higher the ability of the apparatus in managing the financial statements is, the better the quality of financial reporting will be. This proves that the competence of apparatus in Kabupaten Klaten results in the qualified opinion on the result of FRLG examination by BPK.

To improve the quality of local government financial reporting, it is important that employees, especially accounting sections throughout the government, are provided with education and training on the implementation of Government Accounting Standards based on accruals so that they can be effectively applied in the preparation of financial statements. It is expected that the Klaten Regency government can improve employee performance and evaluate the work on all related aspects in order to achieve unqualified opinion again.

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