The Effect of Human Resources Competency and Accrual Based Government Accounting Standard Implementation on the Quality of Local Government Financial Statement with the Implementation of Internal Control System as a Mediating Variable

Liani Suliyantini, Kusmuriyanto ✉

Jurusan Akuntansi, Fakultas Ekonomi, Universitas Negeri Semarang, Indonesia

Abstrak

Penelitian ini bertujuan untuk memperoleh bukti secara empiris tentang pengaruh kompetensi sumber daya manusia dan standar akuntansi pemerintahan (SAP) basis akrual terhadap kualitas laporan keuangan dengan sistem pengendalian intern sebagai variabel mediasi. Populasi dalam penelitian ini adalah pegawai pemerintah di SKPD Kabupaten Banyumas. Pengambilan sampel menggunakan kuesioner dengan teknik purposive sampling yang menghasilkan 89 sampel. Teknik analisis menggunakan pendekatan SEM dengan bantuan SmartPLS 3.0. Hasil penelitian menunjukkan bahwa SAP berbasis akrual dan sistem pengendalian intern berpengaruh signifikan terhadap kualitas laporan keuangan. Kompetensi sumber daya manusia berpengaruh tidak signifikan terhadap kualitas laporan keuangan. Kompetensi sumber daya manusia dan penerapan SAP berpengaruh positif signifikan terhadap penerapan sistem pengendalian intern Sistem pengendalian intern dapat menjadi variabel mediasi untuk pengaruh tidak langsung kompetensi sumber daya manusiaan SAP terhadap kualitas laporan keuangan.

Abstract

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This study is aimed to get empirical evidence about the influence of human resource competency and implementation of accrual-based government accounting standards (GAS) on financial report quality with internal control system as a mediating variable. The population is government employees in SKPD Banyumas. The technique for taking the sample was by using questionnaire with purposive sampling that resulted 89 sample. Data were analyzed using the approach SEM with the help of *Smart*PLS 3.0. The result was the implementation of accrual-based GAS and internal control system had significant effect on the quality of financial report. Human resource competency had no significant effect on the quality of financial report. Human resource competency and accrual-based GAS had significant effect on the implementation of internal control system. Hence, internal control system could play a role as an intervening variable for the indirect effect of human resource competency and accrual-based GAS on the quality of financial report.

✉ Correspondence Author:
  Gedung L2 Lantai 2 FE Unnes
  Kampus Sekaran, Gunungpati, Semarang, 50229
  Email: kusmuriyanto@mail.unnes.ac.id

INTRODUCTION

Financial statement is one form of financial accountability. Local Government arranges financial statements to provide information regarding the financial position and accountability of all transactions conducted during one reporting period. It must be realized that there are many parties who will rely on information in the financial statements as the basis for decision-making. Therefore, the information in the financial statements should be beneficial to the users (Indriasari and Nahartyo, 2008). Information will be useful if it meets qualitative characteristics (Setiawati dan Sari, 2014). Qualitative characteristic of government financial statements according to Government Regulation No. 71 of 2010 is normative measures that need to be manifested in accounting information so as to meet its objectives. Financial statements can be said to be qualified if they meet the four elements of qualitative characteristics, namely (a) relevance; (b) reliable; (c) comparable; (d) understandable.

According to Summary of Semester Examination Result (IHPS) I of 2015 issued by Supreme Audit Board of Republic of Indonesia (BPK-RI), local government financial statement in Indonesia is still below the target of National Medium Term Development Plan (RPJMN) 2010-2014. RPJMN 2010-2014 is a national medium-term development plan that one of its targets is to assign Unqualified Opinion (WTP) to all Local Government Financial Statements (LKPD) in 2014. However, the fact revealed in IHPS I in 2015, contains the results of the examination that revealed the opinion other than WTP because there are still many problems finding. Whereas one of the indicators of financial accountability quality can be seen from the opinion of external auditors (Supreme Audit Board) on the presentation of government financial statements, therefore the quality of local government financial statements is closely related to the opinion generated. It is evident that the financial statements produced by the government still need to be improved in terms of quality.

Competence of human resources is the ability of human resources to carry out the duties and responsibilities given to them with the provision of education, training, and sufficient experience (Yosefrinaldi, 2013). Regional Device Work Unit (SKPD) must have competent human resources, supported by accounting education background, often attend education and training, and have experience in finance. Government accounting standard is an absolute requirement that must be a guideline for the quality of financial statements in Indonesia can be improved. The financial statements produced by the government must meet the standards in accordance with Government Regulation No. 71 of 2010 on Government Accounting Standards (GAS). Government accounting standard applied in Indonesia today is accrual based GAS (accrual basis). Accrual based accounting is an accounting system that recognizes and records financial transactions or events at the time of occurrence or at the time of acquisition. Accrual based standard is a shift from the previous standard, that is cash toward accrual standard. Government Regulation Number 71 of 2010 states that the implementation of accrual-based GAS on local government must be implemented starting 2015 budget year.

Another factor affecting the quality of financial statements is Internal Control System which is according to Government Regulation Number 60 Year 2008 regarding Government Internal Control System means an integral process on actions and activities carried out continuously by the leadership and all employees to give reasonable assurance on the achievement of organizational objectives through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance with laws and regulations. This study refers to previous research conducted by Sudiarianti et al. (2015), Setyawati (2013), Sukmaningrum and Harto (2012), Yosefrinaldi (2013), Syarifudin (2014), Winidyaningrum and Rahmawati (2010), and Afiah and Rahmatika (2014).

METHODS

The data used in this study was primary data obtained directly from the survey in the form of questionnaires. The population in this study was government employees in SKPD Banyumas District. The selection of the sample was done by purposive sampling method that was government employees who perform administration of financial management and have working period of at least one year. The questionnaires distributed amounted to 110 copies, and successfully returned 99 copies. The questionnaires which did not meet the criteria were 10, so only 89 questionnaires could be processed. The question instrument related to all variables was measured using a Likert scale of 1 to 5. The methods of data analysis used descriptive and inferential analysis. Descriptive analysis consisted of two types of analysis, namely descriptive analysis of the respondents and descriptive analysis of the variables and indicators. Inferential analysis used SEM approach helped by SmartPLS 3.0.

RESULTS AND DISCUSSIONS

Table 1. The Summary of Rule of Thumb of Measurement Model Evaluation

No	Criteria	Parameter	Rule of Thumb	Results
1	Convergent validity	Loading Factor	>0.70 for confirmatory research 0.60 – 0.70 still could be accepted for Explanatory research	Table 2. 0.817, 0.804
		Average Variance Extracted	>0.50 for confirmatory research and Explanatory research	0.730. 0.721
2	Discriminant validity	Cross Loading	the construct correlation with the measurement item is greater than the size of the other construct	Table 3.
3	Composite Reliability	composite reliability	1. >0.70 for confirmatory research 2. 0.60 – 0.70 still could be accepted for Explanatory research	0.947, 0.942 0.970, 0.928
4	Cornbach Alpha	cornbach alpha	1. >0.70 for confirmatory research 2. 0.60 – 0.70 still could be accepted for Explanatory research	0.925, 0.918 0.966, 0.901

Source: Laten and Ghozali, 2012

Note: The results of primary data testing in order of variables of LKPD quality (Y), Human Resources Quality, GAS Implementation, and ICS Implementation.

Table 2. Loading Factor

The Results of Validity Test		SAP9 <- SAP	0.892
SDM1 <- SDM	0.934	SAP10 <- SAP	0.881
SDM2 <- SDM	0.899	SAP11 <- SAP	0.870
SDM3 <- SDM	0.856	SAP12 <- SAP	0.861
SDM4 <- SDM	0.895	SPI1 <- SPI	0.874
SAP1 <- SAP	0.877	SPI2 <- SPI	0.688
SAP2 <- SAP	0.817	SPI3 <- SPI	0.915
SAP3 <- SAP	0.855	SPI4 <- SPI	0.898
SAP4 <- SAP	0.796	SPI5 <- SPI	0.851
SAP5 <- SAP	0.799	LKPD1 <- LKPD	0.923
SAP6 <- SAP	0.794	LKPD2 <- LKPD	0.930
SAP7 <- SAP	0.903	LKPD3 <- LKPD	0.876
SAP8 <- SAP	0.895	LKPD4 <- LKPD	0.886

Table 3. Cross Loading

	LKPD	SAP	SDM	SPI
SDM1	0.340	0.356	0.934	0.471
SDM2	0.343	0.314	0.899	0.459
SDM3	0.329	0.345	0.856	0.456
SDM4	0.340	0.487	0.895	0.529
SAP1	0.567	0.877	0.340	0.547
SAP2	0.466	0.817	0.422	0.523
SAP3	0.415	0.855	0.394	0.462
SAP4	0.492	0.796	0.284	0.520
SAP5	0.556	0.799	0.341	0.567
SAP6	0.359	0.794	0.490	0.637
SAP7	0.442	0.903	0.277	0.485
SAP8	0.442	0.895	0.435	0.633
SAP9	0.406	0.892	0.387	0.610
SAP10	0.491	0.881	0.362	0.635
SAP11	0.452	0.870	0.334	0.589
SAP12	0.396	0.861	0.244	0.516
SPI1	0.416	0.630	0.512	0.874
SPI2	0.321	0.474	0.431	0.688
SPI3	0.572	0.628	0.490	0.915
SPI4	0.503	0.532	0.468	0.898
SPI5	0.428	0.523	0.364	0.851
LKPD1	0.923	0.494	0.328	0.521
LKPD2	0.930	0.527	0.355	0.534
LKPD3	0.876	0.471	0.300	0.433
LKPD4	0.886	0.451	0.381	0.437

Source: Output of smartPLS, 2016

The result of processing showed that all the loading factor values in Appendix 1 had values above 0.60, so the constructs for all variables had met the criteria of convergent validity. The test

results showed that the financial statement quality variable obtained the largest AVE value of 0.817 and the implementation of ICS obtained the smallest value of 0.721. The value of discriminant validity in Appendix 2 that the construct correlation with the measurement item was greater than the size of the other construct, then it showed that the latent construct predicted the size of their block was better than the size of the other block. This could be interpreted that the instruments in this study were valid. The result of reliability testing could be seen seen from the composite reliability and cornbach alpha. Based on table 1, it could be seen that the value of composite realiabity and cornbach alpha for all variables were above 0.60 so it could be said that the instrument used had qualified reliability.

Inner model evaluation with bootstrapping test generated the coefficients of determination of R^2, adjusted R^2 and Q^2. It could be seen in table 4 below.

Table 4. R^2, Adjusted R^2 and Q^2

Variables	R^2	Adjusted R^2	Q^2 Count Result
LKPD	0.354	0.331	0.359
SPI	0.517	0.505	

Based on table 4, it could be seen the value of adjusted R^2 for financial statement quality variable (LKPD) was 0.331 which meant that the effect of variables of human resources competency, GAS implementation, and SPI implementation in explaining financial statements quality variable was equal to 33.1%. Furthermore, the value of adjusted R^2 for internal control system implementation variable (SPI) was 0.505 which meant that the effect of variable of human resource competency and government accounting standard implementation in explaining internal control system variable was 50.5%.

Table 5. Direct Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics ($|O/STDEV|$)	P-Values
SAP -> LKPD	0.317	0.310	0.115	2.765	0.003
SAP -> SPI	0.529	0.524	0.109	4.842	0.000
SDM -> LKPD	0.096	0.102	0.085	1.134	0.129
SDM -> SPI	0.312	0.324	0.097	3.204	0.001
SPI -> LKPD	0.274	0.276	0.130	2.115	0.017

Table 6. The Result of VAF Method Mediation Effect

Human Resources Competency -> ICS Implementation -> LKPD Quality	$= \dfrac{0.086}{0.086 + 0.096} X\ 100\%$ $= 47,3\%$
GAS Implementation-> ICS Implementation -> LKPD Quality	$= \dfrac{0.145}{0.145 + 0.317} X\ 100\%$ $= 31,4\ \%$

Based on Table 5, it was known that the coefficient of the effect of human resource competence on the LKPD quality of Banyumas district was 0.096 and the significance level of 0.129> 0.05 illustrated that the first hypothesis which stated that human resource competence had positive effect to the quality of local government financial statement was rejected. The result of this testing was not in line with the stewardship theory which explained that the government would provide services to the community to meet their needs was by preparing qualified financial statement

using the competence it had. Based on the demographic data of the respondents, it was known that the number of employees with the accounting education accounting was still small, only 15 people and 19 people had management education background. Whereas the functions and accounting process would be better if implemented by employees who had knowledge in the field of accounting. Although this weakness has been overcome by involving staff in training related to regional financial accounting and management, but it has not been able to maximize the quality of local government financial statements. The results of this research were in line with Indriasari and Narhatyo (2008), Syarifudin (2014), Sukmaningrum and Harto (2012).

The coefficient value of the effect of accrual based GAS implementation on LKPD quality of Banyumas district in table 5 was 0.317 and the significance level of 0.003 <0.05 illustrated that the second hypothesis which stated that accrual based GAS implementation had a positive effect to the quality of local government financial statement was accepted. This study proved that the transition of accounting base from cash to accrual to accrual basis had successfully achieved its objectives. This accrual based GAS was made with the aim for the information presented in the financial statements could be more accurate, relevant and transparent so as to improve the quality of financial statements. According to Sudiarianti et al. (2015), the consistent implementation of GAS in accordance with applicable rules tended to produce a qualified LKPD. The results of this study were consistent with research conducted by Sudiarianti et al. (2015), Susilawati and Riana (2014), and Wati et al (2014).

The coefficient value of the effect of human resource competence on the ICS implementation was 0.312 and the significance level of 0.001 <0.05 illustrates that the third hypothesis which stated that the competence of human resources positively affected the application of internal control system, accepted. The average score of respondents' answers to human resource behaviour was in the amount of 79% with good category. This indicated that the behaviour of government officials in carrying out financial recording and reporting has been running well according to norms and ethics that applied so that the possibility of irregularities and fraud was small because it followed the existing control system in the institution. This meant, to improve the internal control system more effectively required the competence of high government employees. The higher the competence possessed by government employees then the implementation of the internal control system tended to be good as well. The results of this study were in accordance with research conducted by Sudiarianti et al. (2015) and Syarifudin (2014).

The coefficient value of the effect of GAS implementation on ICS implementation was 0.529 and the significance level of 0.000 <0,05 illustrated that the fourth hypothesis which stated that the implementation of government accounting standard had a positive effect on the implementation of internal control system, accepted. Facts that occurred in Banyumas district after the implementation of new standard that accrual based government accounting standard was a change in the system that was the existence of a new system under the name 'Satria Persediaan'. The existence of this new application had implications for changes in control systems that should be further improved.

The coefficient value of the effect of ICS implementation on LKPD quality was 0.274 and the significance level of 0.017 <0.05 illustrated that the fifth hypothesis which stated that the implementation of internal control system had a positive effect on the quality of local government financial statements, was accepted. This is in accordance with the explanation of attachment 1 of Permendagri No. 4 year 2008 dated January 17, 2008 that the quality of financial statements was not only measured from the conformity of GAS, but also from its internal control system. To that end, local governments must design, operate, and maintain a good internal control system in order to improve the reliability of financial information. This was also supported by research conducted by Sudiarianti et al (2015), Setiyawati (2013), Syarifudin (2014), Sukmaningrum and Harto (2012), Afiah and Rahmatika (2014), and Yosefrinaldi (2013).

The result of VAF calculation of ICS implementation variable as a mediator between human resource competence and LKPD quality obtained value of 0.473 or 47.3% so showed ICS implementation as a partial mediator. The competence of human resources had an insignificant direct influence, but the indirect effect was significant, so that the application of ICS could be used as a mediating variable that strengthened the relationship of human resource competence to the quality of LKPD. Thus, it could be concluded the sixth hypothesis was accepted. The result of this study was also supported by research Syarifudin (2014) and Sudiarianti (2015). The Effect of Accrual Based Government Accounting Standard Implementation on the Quality of Financial Statements through the Implementation of Internal Control System.

The result of VAF calculation of ICS implementation variable as a mediator of the relationship between GAS implementation and LKPD quality obtained value 0.314 or 31.4% so showed ICS implementation as a partial mediator. So, it could be concluded that the seventh hypothesis which formulated that the implementation of accrual based government accounting standards had a positive effect on the quality of local government financial statements through the implementation of internal control system, was accepted. The result of this research was supported by the statement of Simanjutak (2010) and Bastian (2006) in Amriani (2014) that the complexity of accrual-based accounting implementation could be ensured to require a more reliable accounting system and IT based system. In addition, it was necessary to build a more adequate internal control system to provide reasonable assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets and compliance with laws and regulations.

CONCLUSIONS

Based on the analysis and discussion, it can be concluded that the competence of human resources has an insignificant positive effect to the quality of financial statements. The implementation of GAS and the implementation of internal control system have a significant positive effect on the quality of financial statements. The competence of human resources and the implementation of GAS have a significant positive effect on the implementation of internal control system. The implementation of internal control system can be used as a mediating variable for indirect effect of human resource competency and the implementation of accrual based GAS on the quality of financial statements. The implication of accrual-based GAS implementation is the existence of a new system, so the government is encouraged to conduct socialization and special training routinely in order to the system runs smoothly and the control can run optimally and can increase the competence of government employees. The results of this study can be used as a reference or basis for developing further research in various ways, such as focusing on other variables that may affect the quality of local government financial statements or enlarge populations.

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