

# **The Effect of Regional Financial Accounting System and Human Resources Competency on Regional Financial Report Accountability with Information Quality Mediation in Probolinggo Regency Government**

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*Financial Statements are structured reports regarding the financial position and transactions carried out by a reporting entity. The general objective of financial statements is to provide information about the financial position, budget realization, cash flows, and financial performance of a reporting entity, which is helpful for users in making and evaluating decisions regarding resource allocation.*

*Financial Statements are used to compare the realization of Revenues, Expenditures, Transfers, and Financing with a predetermined budget, assess financial conditions, evaluate the effectiveness and efficiency of a reporting entity, and help determine its compliance with laws and regulations.*

*The purpose of preparing Local Government Financial Report (LKPD) is to provide helpful information for report users in assessing accountability and making decisions (both economic, social, and political decisions) by: Presenting information regarding the adequacy of current period revenues to finance all expenditures; Provide information regarding the suitability of obtaining economic resources and their location with the stipulated budget and statutory regulations; Provide information on the number of economic resources used in the activities of the reporting entity and the results that have been achieved; Provide information on how the reporting entity finances all of its activities and meets the needs of the community; Provide information on the financial position and condition of the reporting entity about sources of revenue, both short-term and long-term, including those from tax collections and loans; and Provide information regarding changes in the financial position of Regional Governments, regarding increases or decreases, as a result of activities carried out during the reporting period.*

*To meet these objectives, Local Government Financial Report (LKPD) provides information on Revenue, Expenditure, Financing, Assets, Liabilities, Fund Equity, and Cash Flow of Local Governments.*

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## **I. Introduction**

The government is obliged to prepare Regional Government Financial Reports for budget accountability, performance evaluation, and the basis for decision-making related to local government fiscal policies. Therefore, the government must make quality financial reports so that users of financial statements (stakeholders, regional heads, and House of Representatives) can understand the information contained in these financial statements. Because if the government's financial reports are wrong, it can have negative implications, one of which is lowering public confidence in the management of public (government) funds, and the quality of local government policies will also be harmful.

The general objective of financial statements is to provide information about the financial position, budget realization, cash flows, and financial performance of a reporting entity, which is helpful for users in making and evaluating decisions regarding resource allocation. Financial Statements are used to compare the realization of Revenues, Expenditures, Transfers, and Financing with a predetermined budget, assess financial conditions, evaluate the effectiveness and efficiency of a reporting entity, and help determine its compliance with laws and regulations. The purpose of preparing Local Government Financial Reports (LKPD) is to provide helpful information for report users in assessing accountability and making decisions (both economic, social, and political decisions) by: Presenting information regarding the adequacy of current period revenues to finance all expenditures; Provide information regarding the suitability of obtaining economic resources and their location with the stipulated budget and statutory regulations; Provide information on the number of economic resources used in the activities of the reporting entity and the results that have been achieved; Provide information on how the reporting entity finances all of its activities and meets the needs of the community;

Provide information on the financial position and condition of the reporting entity with sources of revenue, both short-term and long-term, including those from tax collections and loans; and Provide information regarding changes in the financial position of Regional Governments, regarding increases or decreases, as a result of activities carried out during the reporting period.

To meet these objectives, LKPD provides information on Revenue, Expenditure, Financing, Assets, Liabilities, Fund Equity, and Cash Flow of Local Governments.

Financial statements are the final product of the accounting process that has been carried out. Like the private sector, the public sector is also required to make formal financial reports such as Budget Realization Reports (LRA), Operational Reports, Budget Over Balance Reports, Balance Sheets, Cash Flow Statements, Changes in Equity Reports, and Notes to Financial Statements. The financial statements prepared must comply with the principles stated in government regulation Number 77 of 2020. Government financial reports are produced from each Regional Work Unit (SKPD), which are then used to make government financial reports. Quality financial reports show that the regional head is responsible for following the authority delegated to him in carrying out the organization's responsibilities.

Each SKPD carries out the preparation of government financial reports. Then the financial statements are consolidated by the Regional Financial Management Work Unit (SKPKD), which then becomes the Regional Government Financial Report (LKPD). After being consolidated into LKPD, it is not immediately published to the public. However, it is audited first by the Inspectorate as the internal supervisor of the Regional Government and then examined by an external auditor, namely the Financial and Development Supervisory Agency (BPK). In the audit report (LHP), the Financial and Development Supervisory Agency expresses an opinion on the local government financial report (LKPD), then published and reported to stakeholders. Therefore, the quality of regional financial management can indirectly be seen from the opinion of BPK. Suppose the figures presented in the LKPD are not the real ones. In that case, the information in the financial ratios analyzed to assess the financial performance of local governments becomes less precise. LKPD users include local government (internal), House of Representatives, Supreme Audit Agency, investors, Provincial Government, Central Government, and the community.

## **II. Literature Review**

According to Mahmudi (2016:11), local governments must continue to improve the quality of their financial reports. Financial reports presented by local governments are considered to be of high quality if they meet the following characteristics:

- a. "Relevant. Relevant means that the information in the financial statements presented provides benefits for users for decision making. Relevant financial statements related to: Financial statements can provide predictive value, namely predicting future financial conditions, financial needs, and performance. Financial reports can provide benefits for evaluating past performance, providing feedback in financial planning, and improving performance in the future. (feedback values). Financial reports are published on time (timeliness). An excellent financial report must be presented on time because the value or benefit of information will be reduced if delivered late.
- b. Reliable (Reliability). This means that the information presented in the financial statements must be reliable, not misleading, and contain manipulation elements. Reliable financial reports have the following characteristics: Presented honestly (faithfulness of percentage), the financial statements are free from material misstatement, and there is no manipulation of financial statements. Verifiability of the information in the financial statements can be verified through auditing the financial statements. Neutrality in presentation, namely the presentation of financial statements, is not tendentious and biased towards the interests of certain groups.
- c. Comparability means that financial statements can be used to compare past performance or a comparison of the performance of other similar organizations.
- d. Understandability means that financial statements must provide clear, simple, and easily understood by the users of financial statements.

## **III. Methodology**

Quantitative research is a process of finding knowledge that uses data in the form of numbers as a tool to analyze information about what you want to know (Kasiram (2008: 149) in his book *Qualitative and Quantitative Research Methodology*). Quantitative research is based on the following assumptions (Nana Sudjana and Ibrahim, 2001; Del Siegle, 2005, and Johnson, 2005): The reality that is the target of research is single-dimensional, fragmental, and tends to be fixed so that it can be predicted. Variables can be identified and measured with objective and standard tools.

Regional financial management accountability is a regional financial management process starting from planning, implementation, administration, accountability, and supervision that can be reported and accounted for

to the community and DPRD related to their failures and successes as material for evaluation for the following year.

Regional Financial Accounting System is an accounting system that includes recording, classifying, interpreting, summarizing financial transactions or events as well as financial reporting in the context of implementing the APBD, carried out in generally accepted accounting principles.

Human Resource Competence is the ability and characteristics possessed by a person in the form of knowledge, skills, and behavioral attitudes needed in carrying out his duties in his work environment.

Information quality is the extent to which information consistently meets the requirements and expectations of all those who need the information to carry out their processes.

#### IV. Research Result

##### 1.1 Testing of Instruments

A validity test shows how accurate and accurate a measuring instrument is to measure something we examine in research. The higher the validity of a measuring instrument indicates that this measuring instrument is increasingly providing results following the objectives of a study. In this study, the validity test followed the role product-moment (r) with a significance level of 95% ( $\alpha = 0.05$ ). Reliability testing is carried out to know the results of a measurement can be trusted or not. The measurement results can be trusted if its application to a group several times obtained almost the same results. In other words, there is a slight difference between the results of several measurements.

##### 1.2 Description of Research Variable

Variables (X1) obtained an average score of 3.626%, indicating that accounting procedures have been recorded in the regional financial accounting system. The description of the Human Resources Competency Variable (X2) obtained an average score of 3.578%, which indicates that the human resource competence is following the needs and evenly distributed in the Probolinggo Regency Government. Questions about the Quality of Information (Y1) obtained an average score of 3.59%. This indicates that the quality of information related to the submission of regional financial reports is appropriate and accommodated on the website of the Probolinggo Regency Government. Questions about Accountability of Regional Financial Statements (Y2) obtained an average score of 3.602%. This shows that the accountability of regional financial reports is following applicable regulations.

##### 4.3 Classical Assumption Test

A good regression model if there is no correlation between the independent variables, namely, comparing the tolerance value  $> 0.05$  or the VIF value  $< 10$ . The VIF results are shown in Table 1.

Table 1  
Multicollinearity Test Results

Variable	Tolerance	VIF
Regional Financial Accounting System (SKAD)	0.107	9,379
Human Resources Competence	0.107	9,379

Based on the results of the multicollinearity test with the SPSS program, the VIF results were obtained with a value of 9.379 and a tolerance value of 0.107. This indicates that the regression model does not occur multicollinearity seen from the VIF value  $< 10$ .

The autocorrelation test uses the Durbin Watson (DW) method to test the linear regression model. There is a correlation between the residuals in period t and residuals in period t-1 (previous). The results of the autocorrelation test are shown in table 2.

Table 2  
Autocorrelation Test Results

d	dl	du	4-dl	4-du
2.054	1.4684	1.6309	2.5316	2.3691

Is known  $= du < d < 4-du$   
 $= 1.6309 < 2.054 < 2.3691$

From Table 2, it can be seen that the DW value is between the values of du and 4-du, namely  $1.6309 < 2.054 < 2.369$ . This indicates that there is no autocorrelation in the regression model.

**4.4 Structural Equation Model Test Results**

Testing in path analysis is essential in order to determine whether an analysis is valid or not. SEM test is a combination of factor analysis, regression, and path analysis. The following is the SEM calculation with the formula:

$$R^2 = 1 - (\sqrt{1-R12} \times \sqrt{1-R22} \times \sqrt{1-R32})$$

$$R^2 = 1 - (\sqrt{1-0,027} \times \sqrt{1-0,439} \times \sqrt{1-0,116})$$

$$R^2 = 1 - (0,9864 \times 0,7489 \times 0,9402)$$

$$R^2 = 1 - (0,6945)$$

$$R^2 = 30,55\%$$

Based on these calculations, the total coefficient of determination is 30.55%. This shows that the variation in the data that can be explained in the research model is 30.55% or, in other words, there is a relationship between the variables. However, it is not too intense because 69.54% of other variables are not included in the model.

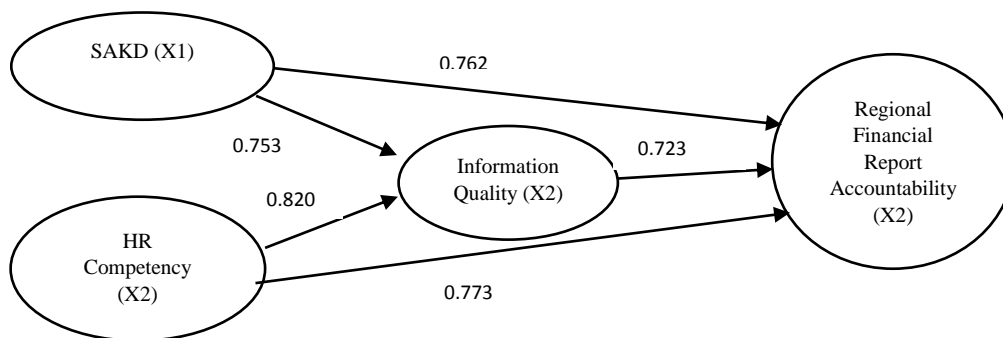


Table 3  
Research Variable Path Analysis Results

Variable			Indirect Influence	Direct Influence	Total Influence	Results
Exogenous	Mediation	Endogenous				
X1	-	Y2	0.762	0.551	-	Significant
X1	Y1	-	0.753	-	-	Significant
X1	Y1	Y2	0.762	0.551	1.313	Significant
X2	-	Y2	0.773	0.593	-	Significant
X2	Y1	-	0.82	-	-	Significant
X2	Y1	Y2	0.773	0.593	1.366	Significant

**V. DISCUSSION**

The descriptive statistical results show that the regional financial accounting system and human resource competence positively affect the accountability of regional financial statements. The regional financial accounting system applied to the Probolinggo Regency Government is considered quite effective in presenting financial reports accountable and according to applicable regulations. Competence of human resources also has a positive influence in the preparation of financial statements, with high competence and skills of employees will impact the good regional financial statements. The quality of information submitted to the broader community will also positively impact the accountability of regional financial reports due to the ease with which the public can access data.

The two exogenous variables of the regional financial accounting system and the competence of human resources positively affect the accountability of regional financial statements through the intervening variable, namely the quality of information. However, the most significant influence is on increasing the accountability of

regional financial reports by increasing the competence and knowledge of employees at the Probolinggo Regency Regional Finance Agency and providing valid and quality information to the public.

Regional financial accounting systems and human resource competencies have a positive effect on the quality of information. The quality of information related to regional financial reports submitted to the public must be of high quality and verified. This will be obtained if the financial statements are following the applicable rules and regulations. One of the ways carried out by the Probolinggo Regency Government is to use the regional financial accounting system in collaboration with Financial and Development Supervisory Agency and the Ministry of Home Affairs. The accounting system will not run effectively and optimally if the existing human resources in the Probolinggo Regency Government are unreliable and adequate.

The quality of information has a significant effect on the accountability of regional financial statements. This indicates that the higher the quality of the information submitted to the public, the more positive the accountability of regional financial reports will be.

## **VI. CONCLUSION**

The regional financial accounting system and human resource competence implemented in the Probolinggo Regency Government have been running effectively and efficiently to increase regional financial reports' accountability. This is evidenced by the achievement of the WTP predicate for eight years, continuously starting in 2014 until the last audit in 2016. 2021 on the 2020 regional financial reports.

It is necessary to increase the competence of Civil Servants towards regional financial management so that the accountability of regional financial reports can be optimal and of high quality so that it is expected to maintain WTP opinions for years to come.

Information related to the management and reporting of regional finances must always be conveyed to the broader community using online media sites owned by the Probolinggo Regency Government so that the public can control and supervise the running of the government.

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