

DETERMINANT ANALYSIS OF THE QUALITY OF LOCAL GOVERNMENT FINANCIAL REPORTS WITH THE GOVERNMENT INTERNAL CONTROL SYSTEM AS MODERATING VARIABLES IN THE GOVERNMENT MANDAILING DISTRICT CHRISTMAS

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ABSTRACT

The purpose of this study was to determine and analyze the factors that affecting the quality of financial statements in the Government of Mandailing Natal District. The factors that influence it are the implementation of government accounting standards (SAP), human resource competencies (HR), utilization of the local financial information system (SIKD), and the role of Government Internal Supervisory Apparatus (APIP), with the moderating variables is the government's internal control system (SPIP). The type of research in this study is causal associative using primary data and data collection techniques through the distribution of questionnaires in regional device organizations of Mandailing Natal, North Sumatera, Indonesia. The method of determining the sample with the census method, so that the entire population is used as a research sample. The population of this study was 35 regional device organizations, each consisting of 3 respondents with total 105 respondents. Data is processed using SEM method with Smart PLS analysis tools. The results of this study prove that the implementation of SAP has an effect on the quality of the Mandailing Natal District Government's financial statements, HR competencies have an effect on the quality of the Mandailing Natal District Government's financial statements, the utilization of SIKD has an effect on the quality of the Mandailing Natal District Government's financial statements, the role of the Government Internal Supervisory Apparatus (APIP) has an effect on the quality of the Mandailing Natal District Government's financial statements. Then SPIP does not moderate each of the effects of SAP implementation, HR competencies, utilization of SIKD and the role of Government Internal Supervisory Apparatus (APIP) on the quality of the Mandailing Natal District Government's financial statements.

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1. INTRODUCTION

The results of the BPK's examination of LKPDs in the first semester of 2020 revealed 6,160 findings containing 10,499 problems consisting of 5,175 internal control system problems and 5,324 problems of non-compliance with statutory provisions amounting to Rp1.52 trillion. Regarding the problem of non-compliance, during the examination process the entity has found by depositing money to the state/regional treasury or assets of Rp.285.79 billion.

The report on the results of the examination (LHP) on the financial statements of the Mandailing Natal Regency Government which is the object and place of this research obtained a Fair With Exceptions (WDP) opinion from 2015 to 2019 (BPKP, 2020). Meanwhile, for 2020, the Mandailing Natal Regency Government received a Fair with Exception (WDP) opinion. Quoted from Berita Madina released on Thursday, July 29, 2021, "Based on the results of the BPK RI audit, the Mandailing Natal Regency Government has again obtained a WDP opinion assessment on the 2020 financial statements. This assessment was given because BPK found weaknesses in the internal control system and non-compliance

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with regulatory provisions the law in the management of state money, and I remind every OPD to be aware of this and at the same time I hope that OPD collaboration and synergy are both obedient and understand the management of state finances in a transparent and accountable manner, so that in the future Mandailing Natal Regency will obtain a WTP opinion that is is our common desire,” said the Regent firmly.[1,4]

Tabel 1.1
List of Opinion Financial Statements of the Mandailing Natal District Government

No	Tahun	Opini Audit
1	2015	WDP
2	2016	WDP
3	2017	WDP
4	2018	WDP
5	2019	WDP
6	2020	WDP
7	2021	WDP

Sumber: sumut.bpk.go.id

Through the explanation above, we can conclude that the quality of the financial reports of the Mandailing Natal District Government is still not good. This triggers the author's desire to examine the factors that can affect the quality of financial statements.

Tabel 1.2
Recapitulation of BPK-RI Findings Relating to Weaknesses in Accounting and Reporting Systems

No	Weaknesses of Accounting and Reporting Control Systems	2017	2018	2019	2020
1	Recording is not/has not been done accurately	800	938	916	1.018
2	The preparation process does not comply with the provisions	938	603	494	477
3	Inadequate accounting and reporting information systems, Accounting and reporting information systems are not supported by adequate human resources & the entity is late in submitting reports	345	285	319	204
Jumlah		2.083	1.826	1.729	1.699

Source : IHPS I 2018, IHPS 1 2019, IHPS 1 2020, dan IHPS 1 2021 (BPK RI)

Based on data from the table Recapitulation of BPK-RI Findings Relating to Weaknesses in Accounting and Reporting Systems, the main factors that affect the quality of financial reports are: SAP implementation in the Government, HR Competence, Regional Financial Information System (SIKD), Role of Government Internal Supervisory Apparatus (APIP).

The development of findings on the problem of weaknesses in the Internal Control System for the last four years.

Tabel 1.3
Development of BPK Findings on SPI Weaknesses

No	Problem Group	2017	2018	2019	2020
1	Weaknesses of the Budget and Expenditure Implementation Control System	2.887	2.753	2.338	2.498
2	Weaknesses of Internal Control Structure	1.252	1.279	1.108	1.170
Jumlah		4.139	4.032	3.446	3.668

Source : IHPS I 2018, IHPS 1 2019, IHPS 1 2020 dan IHPS 1 2021 (BPK RI)

Based on the table on the Development of BPK's Findings on SPI Weaknesses, the fifth factor is a moderating factor in influencing the quality of financial reports, namely the Control System. Domestic Government (SPIP).

Based on the explanation and description above, the author conducted a study entitled "Analysis of Determinants of the Quality of Local Government Financial Reports With Government Internal Control Systems as Moderating Variables in the Mandailing Natal Regency Government".

2. METHOD

2.1 Research Type

The type of research conducted is quantitative research with a causal relationship dimension (causal effect). The causal relationship referred to in this study is a causal relationship between the influence of:

1. Implementation of government accounting standards (SAP)
2. Competence of human resources (HR)
3. Utilization of regional financial information system (SIKD)
4. The role of APIP on the quality of financial reports,
5. Moderation variable of government internal control system (SPIP)

1. Time and Place

This research was conducted at the Regional Apparatus Organization (OPD) of the Mandailing Natal Regency Government, North Sumatra, Indonesia. The research was conducted from February - August 2022

2. Research Methods

This research uses a quantitative research approach in which a theoretical framework, the ideas of experts, as well as the understanding of the researcher based on his experience, are then developed into problems and their solutions that are proposed to obtain justification. The population and sample of the study were 35 OPD of the Mandailing Natal District Government. The data collection technique used a questionnaire after the questionnaire was filled in. Validity and reliability testing was carried out on the results of the questionnaire, the data analysis used in the study was using the Partial Least Square - Structural Question Model (PLSSEM) technique.) and in the PLS-SEM testing of data quality, inner model analysis, hypothesis testing was carried out.

3. Research Chart



Figure 1. Research Chart

4. System Needs Analysis

Based on the description that has been explained, the research concept is then compiled which is a logical relationship from the theoretical basis and empirical studies which can be described as follows:

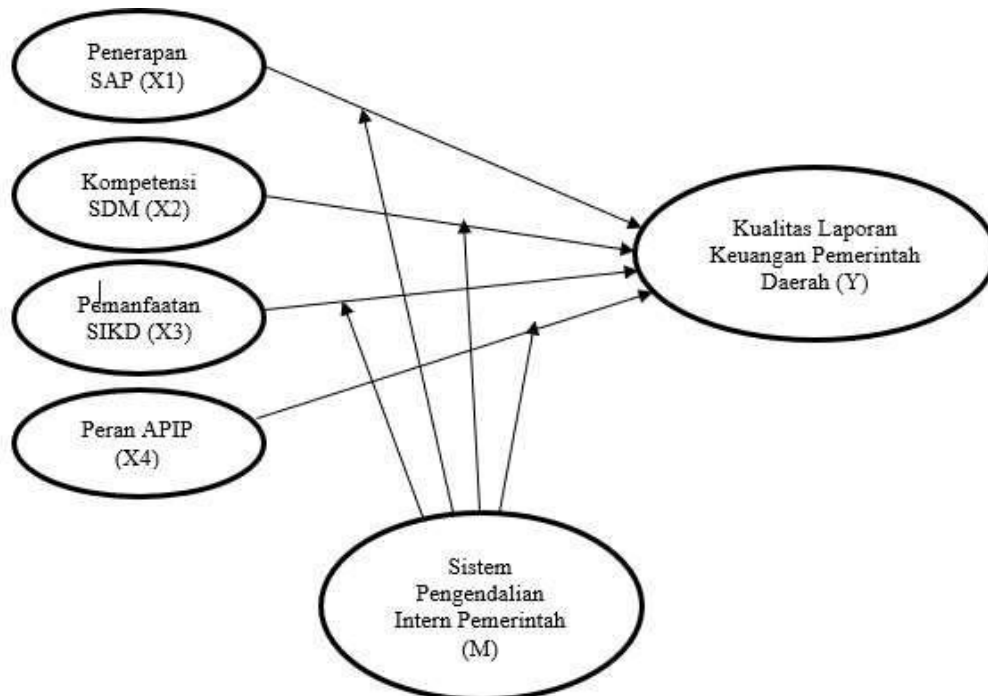


Figure 2. Use case System Requirements

3. RELUST AND DISCUSSION

A. Direct Effect Hypothesis Testing

Tabel 4.13
Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Error (STERR)	T Statistics (O/STERR)	P Values
X1 -> Y	0.219	0.225	0.053	4.146	0.000
X2 -> Y	0.256	0.262	0.127	2.018	0.044
X3 -> Y	0.131	0.125	0.057	2.288	0.023
X4 -> Y	0.337	0.319	0.086	3.905	0.000

1. The effect of the implementation of the government accounting system on the Quality of Financial Statements has a path coefficient of 0.219. This shows that the better the implementation of the government's financial accounting system, the higher the Quality of Financial Reports in the Mandailing Natal district government. This influence has a probability value (p-values) of 0.000 < 0.05, meaning that the implementation of the government's financial accounting system has a significant effect on the Quality of Financial Reports in the Mandailing Natal district government.
2. The influence of human resource competence on the quality of financial statements has a path coefficient of 0.256. This shows that the better the competence of human resources, the higher the Quality of Financial Reports at the Mandailing Natal district government. This influence has a probability value (p-values) of 0.044 < 0.05, meaning that human resource competence has a significant effect on the Quality of Financial Reports in the Mandailing Natal district government.
3. The influence of the use of regional financial information systems on the Quality of Financial Reports has a path coefficient of 0.131. This shows that the better the utilization of the regional financial information system, the higher the Quality of Financial Reports in the Mandailing Natal district government. This influence has a probability value (p-values) of 0.023 < 0.05, meaning that the use of regional financial information systems has a significant effect on the Quality of Financial Reports in the Mandailing Natal district government.
4. The influence of the role of regional auditors on the quality of financial statements has a path coefficient of 0.337. This shows that the better the role of the auditor, the higher the Quality of Financial Reports in the Mandailing Natal district government. This influence has a probability value (p-values) of 0.000 < 0.05, meaning that the role of regional auditors has a significant effect on the Quality of Financial Reports in the Mandailing Natal district government.

B. Indirect Effect Hypothesis Testing

Tabel 4.14
Specific Indirect Effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Moderating Effect 1 -> Y	-0.132	0.144	0.067	1.950	0.052
Moderating Effect 2 -> Y	0.097	0.112	0.077	1.261	0.208
Moderating Effect 3 -> Y	0.045	0.041	0.061	0.733	0.464
Moderating Effect 4 -> Y	-0.021	-0.020	0.059	0.357	0.721

1. The effect of the implementation of the government accounting system on the Quality of Financial Statements moderated by the government's internal control system has a path coefficient of -0.132. This influence has a probability value (p-values) of $0.052 > 0.05$, meaning that it is moderated by the government's internal control system that is not able to moderate the influence of the implementation of the government's financial accounting system on the Quality of Financial Reports in the Mandailing Natal district government.
2. The influence of human resource competence on the quality of financial statements has been moderated by the government's internal control system, the path coefficient is 0.097. This influence has a probability value (p-values) of $0.208 > 0.05$, meaning that the government's internal control system is not able to moderate the influence of human resource competence on the Quality of Financial Reports in the Mandailing Natal district government.
3. The influence of the use of regional financial information systems on the Quality of Financial Reports is moderated by the government's internal control system having a path coefficient of 0.045. This influence has a probability value (p-values) of $0.464 > 0.05$, meaning that the government's internal control system is not able to moderate the effect of the use of regional financial information systems on the Quality of Financial Reports in the Mandailing Natal district government.
4. The influence of the role of regional auditors on the quality of financial statements is moderated by the government's internal control system having a path coefficient of -0.021. This influence has a probability value (p-values) of $0.721 > 0.05$, meaning that the government's internal control system is not able to moderate the effect of the role of auditors on the Quality of Financial Reports in the Mandailing Natal district government.

4. CONCLUSION

1. The application of SAP has a significant effect on the quality of the financial statements of the Mandailing Natal District Government.
2. Competence of human resources has a significant effect on the quality of the financial statements of the Mandailing Natal District Government.
3. The use of regional financial information systems has a significant effect on the quality of the Mandailing Natal District Government's financial reports.
4. The role of APIP has a significant effect on the quality of the financial statements of the Mandailing Natal District Government.
5. The government's internal control system is not able to moderate the relationship between the application of SAP and the quality of the financial reports of the Mandailing Natal District Government.
6. The government's internal control system is not able to moderate the relationship between human resource competence and the quality of the Mandailing Regency Government's financial reports?
7. The government's internal control system is not able to moderate the relationship between the utilization of the regional financial information system and the quality of the financial reports of the Mandailing Natal Regency Government.
8. The government's internal control system is not able to moderate the relationship between the role of APIP and the quality of the financial reports of the Mandailing Natal District Government.

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