

Factor Affecting Report Cirebon Regency Local Government Finance

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Abstract. The purpose of this study is to determine the variables that affect the financial report quality at the Cirebon Regency's Regional Financial and Asset Agency (BKAD). These elements consist of internal control mechanisms, information technology use, and human resource competency. The low quality of local government financial statements in Indonesia makes the phenomena of local government financial reporting an intriguing topic for additional research. The government is a reporting entity that must make financial statements as a form of accountability in the administration of government. A real effort to realize transparency and accountability in government financial management, both for central and local governments, is to submit accountability reports in the form of financial statements. This research can offer insights into the various factors that influence the quality of local government financial statements in Cirebon Regency. The type of primary data used. The sample consists of employees who perform accounting or financial administration functions in each regional device service. Data collection methods were tested using validity, reliability, classical assumption tests, and t-tests.

Keywords: Human Resources Competency, Information Technology, Internal Control System.

1 Introduction

The phenomenon of local government financial reporting in Indonesia is something interesting to study further because the quality of local government financial statements is still low. As a means of accountability in the management of government affairs, the government is a reporting body required to submit financial statements. Submitting accountability reports in the form of financial statements is a genuine attempt to achieve transparency and accountability of government financial management, both at the federal and municipal levels. Good regional financial management, the government must have competent and understanding resources in the field of government accounting and regional finance. According to the interview results, Mr. Aris Risdiyanto, a representative of the Cirebon Regency Regional Finance and Assets Agency, highlighted the inadequacy of human resources, a department tasked with producing high-quality government financial statements. The reliability of financial statements is significantly positively impacted by Kurniawati et al.'s (2018) research on the quality of human resources [1]. This implies that the higher the quality of human resources owned by the Regional, the more reliable the financial statements that are generated will be.

Based on the results of an interview from one of the government employees, he explained that in preparing his financial statements, he had used an application from his government, namely the Cirebon Regency Information System Financial, recording reports from business administrators to financial statements using the office application itself. financial quality government statements is influenced by the government's internal control system and standar accounting . The internal control system in the government is needed to obtain effective, efficient regional financial management and can create Good Governance. Good Governance can be interpreted as the concept of clean, good, and authoritative government. Internal controls are created by an organization to provide security to assets from waste, fraud, and user inefficiencies, as well as to increase the thoroughness and level of trust in the organization.

The purpose of this study is to demonstrate how internal control mechanisms, information technology use, and human resource competency affect the calibre of local government financial statements. Furthermore, this study can advance knowledge by elucidating the variables affecting the report's quality on local government financing in the Cirebon Regency.

Literature review

Financial statements are a that can be analyzed sustainability by utilizing all information contained in it. Quality financial statements can be seen in terms of usefulness for users, but all information contained in financial statements must be ensured to be reliable. To be able to understand financial statements, it must first be ensured that they are trusted regarding the financial information. The competence of a person or individual inside an organisation (institutional) or system to carry out its duties or exercise its authority in order to accomplish objectives successfully and economically is known as human resource competency [2].

Utilization of Information Technology Agustini, (2021) Information technology is used for processing, dissemination of data obtained from computers with telecommunications [2]. Variable of information technology utilization in by instruments refer to the study methods employed to fulfil goals, ensure or supply trustworthy financial data, and guarantee adherence to relevant rules and regulations. Internal control's goals at the organisational level are linked to the accuracy of financial statements, prompt feedback on the accomplishment of operational and strategic goals, and adherence to legal and regulatory requirements [3].

2. Method

The type of primary data used. The sample is employees who perform accounting or financial administration functions in each Regional Device service. Data collection methods were tested using validity, reliability, classical assumption tests and t-tests. For analysis techniques using linear regression and data collection.

3. Result and Discussion

Table 1. T Test

Variabel	Significant	Sig Index	Description
Human Resources Competence (X1)	0,096	0,05	No Effect
Utilization of Information Technology (X2)	0,405	0,05	No Effect

Internal Control System (X3)	0,000	0,05	influence
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Sumber : Data SPSS, 2023

Table 1 above, t-test result data:

1. Human Resources Competence (X1)

Test above show value of the human resource competency in the calculation with a significant value of $0.096 > 0.05$. Therefore so it can be said that the first hypothesis is rejected. Human Resources which is inadequate in terms of quantity and Quality in making financial statements that quality and lack of maximum knowledge insight that results in variable X1 have no significant effect. and lack of maximum knowledge insight which results in variable X1 does not have a significant effect.

2. Utilization Information Technology (X2)

The information technology utilization t test at significant value of $0.405 > 0.05$. Concluded that information technology cannot affect the quality of government financial statements (Y), so it can be said that the second hypothesis is rejected. Because of the lack of consolidation to improve information technology which resulted in the variable X2 this did not have a significant effect.

3. Internal Control System (X3)

Result significant $0.000 < 0.05$. Therefore, it can be concluded that the Internal Control System has a positive effect on the quality of financial statements. It can have significant influence independent and dependent variable.

Test Coefficient of determination (R²)

The coefficient of determination is used to regulate the extent to which the model's ability to explain variations in the dependent variable. Results of the coefficient of determination (R²) test in table 2 shows that the amount of value obtained by R-Square is 0.826 or 82.6% of the quality variables of local government financial statements in Cirebon Regency which are influenced by 3 independent variables While the remaining adjusted R-Square value is 17.4% which is influenced other.

1) Effect of Human Resource Competence on the Quality of Financial Statements.

The competence of human resources does not affect the quality of financial statements. In certain contexts that the quality financial statements is not entirely dependent on the level of competence of human resources. There are several other factors such as qualifications, understanding and attitude can have a greater influence ability to prepare financial statements. Indication of the cause of the influencing of human resource competence on quality of financial statement is lack socialization in the preparation of financial statements which results in unstable financial statement quality. This is what results in Human Resource Competence Not Affecting. Where this qualification can be interpreted as the quality / ability of a person, a person's ability or individual expertise to apply knowledge in the practice of the world of work so that the desired work results can be achieved and can be satisfactory.

Agustini, (2021) the level of competence of human resources does not affect the quality of financial statements [2]. This implies that the calibre of financial statements generated will depend on how competent financial management staff members are with human resources.

Based on the research mentioned above, this study is consistent with earlier studies carried out by [4]. This is because where qualifications can be interpreted as the quality / ability of a person, a person's ability or individual expertise to apply knowledge in the practice of the world of work so that the desired work results can be achieved and can be satisfying. Emilda Nur safiri, (2021) whose results show that human resource competence has a positive effect on the quality of financial statements [5]. This can be interpreted that the results of this study statistically indicate that the process of preparing financial statements involves other work units that are not observed, such as the inspectorate general. For the Bogor City BKAD, the current human resources do not have a significant influence on the quality of Bogor City's financial statements because there are human resources from units other than BKAD who play an active role in the preparation of Bogor City's financial statements. Another thing found at the research site is that the description of job descriptions and functions is still too and not clearly specified. This means that the less awareness to socialize good financial, the lower the level of report quality at the BKAD office and vice versa.

2) Information Technology Utilization on the Quality of Financial Statements.

The study's findings demonstrate that the calibre of financial statements is unaffected by the usage of information technology. This indicates that the degree to which information technology is used does not always determine the quality of financial statements. There are several other factors such as bound, correct and timely knowledge, can have a greater influence on a person's ability to prepare financial statements. This is what results in the Utilization of Information Technology Does Not Affect the Quality of Financial Statements at the Regional Financial and Asset Agency (BKAD) in Cirebon Regency because one of the indicators of Information Technology Utilization is still relatively weak, namely bound knowledge.

Handyani's research, (2015) information technology on the quality of local government financial statements does not have a positive effect [6]. So that whatever the value of using information technology does not affect the quality of information on local government financial statements. This is because the system set is not as desired, the system still experiences problems and seems still unfamiliar to its users, so its implementation becomes futile and cannot support the presentation of reliable financial statements. The results showed that the use of Information Technology of the local government of Cirebon Regency in the T test or hypothesis test showed no influence on the quality of financial statements. This has been tested from the results of primary data or the distribution of questionnaires to employees of the Regional Finance and Assets Agency in Cirebon Regency.

Agency Theory which explains relationship between the use of information technology and the quality of financial statements. The smooth information of a government office can be seen from how we can process the financial statements with good quality. The better the quality of the report, the better the government office will develop. The increasing age of government offices indicates that leaders are more aware that government offices must provide benefits to agency theory. The experience of running a government office for several years makes users of accounting information increasingly needed by other government offices in accordance with what is expected by agencies. However, this research is not in line with previous research conducted by Lilis Setyowati, wikan Isthika, (2016) which showed that the use of information technology affects the quality of local government financial statements [7]. With rapid technological advances and the potential for widespread use, it can open opportunities for various parties to access, manage, and utilize local government financial information quickly

and accurately. This indicates that the better the use of information technology, the better the quality of local government financial statements.

This study supports that of Kurniawati et al. (2018), who demonstrated that the quality of local government financial statements is positively impacted by the usage of information technology [1]. The degree to which accounting duties are implemented using information technology is known as its utilisation. Employees of the government can prepare government financial statements more easily and methodically by processing, storing, and processing financial data with the aid of information technology.

Effect of Internal Control System on the Quality of Financial Statements.

The quality of the internal control system will increase. Consequently, it may be said that the Internal Control System significantly influences the accuracy of financial accounts, indicating that they are deemed acceptable. This indicates that the BKAD office in Cirebon Regency's internal control system is operating effectively. The order of these financial statements' reliability is indicative of their If there is no information in the financial statements that cannot be verified, then they are considered reliable. This makes having an internal control system essential. The most crucial component of any business is its internal control system. Without this framework, there will often be fraud that will harm the company itself. In preparing financial statements, accounting is faced with the possible danger of irregularities, and inaccuracies. To minimize these dangers, the accounting profession certifies a set of general standards and procedures called generally accepted accounting principles. When viewed from the results of the above research with previous research conducted by [8] the results of the study show that the Internal Control System variables have significant effect on the Quality of Local Government Financial Statements. Therefore, in making decisions of an agency, an internal control system is needed that can manage data, process, store, and compile data so as to produce relevant, accurate, and timely data quality. Because with this an agency in decision making will not lose the quality of the resulting system.

Kurniawati dkk., (2018) According to the study's findings, accounting internal control significantly improves the reliability of financial statements. This implies that the Surakarta City Regional Financial and Asset Management Revenue Agency's implementation of stronger accounting internal control can raise the accuracy of financial statements [1]. According to Agustini's research from 2021, if local governments implement the regional financial accounting system in compliance with relevant rules, the internal control system has an impact, it will produce quality financial statements, and vice versa, if the application of the regional financial accounting system is not in accordance with rules, the resulting financial statements are of poor quality [2].

Research does not support earlier findings by Indah Sari (2022) The study's findings indicate that there is no relationship between the internal control system and the accuracy of financial statements. The analysis's findings demonstrate that Kendal Regency's internal control is still not entirely, it can be seen from the questionnaire data. So it can be said that internal control within Kendal district has not been fully implemented by all parties concerned. Partially, the effect of internal control on the accountability of government agency performance (AKIP) is 30.7%. This research is also not in line with the previous one carried out by Agustini, (2021) this result shows that internal control variables do not have a positive effect on the quality of local government financial statements [2]. This means that it is not accepted, this shows that there is still weak internal control at SKPD in Magelang district. Internal control weaknesses

are caused by the accounting or finance subdivision in SKPD has not fully implemented an accounting system that includes procedures. Factors that affect the quality of local government financial statements include cash expenditures, assets and other than cash.

4. Conclusion

At BKAD in the Cirebon Regency, the quality of financial statements is not significantly impacted by human resource competency. Because of this, the quality of financial statements produced by the Regional Financial Management Agency in the Cirebon Regency is not impacted by human resource competency. The quality of financial statements produced by BKAD Cirebon Regency is not significantly impacted by the usage of information technology. The BKAD office can expedite the completion of financial statements and enhance their quality if equipped with sufficient technology. This indicates that the degree to which information technology is used does not always determine the quality of financial statements. The quality of financial statements is significantly improved by the Internal Control System. The central government and local governments are the organisational structures of the internal control system. One component of the internal control system is risk assessment, which is characterised as an evaluation of potential outcomes that could jeopardise the accomplishment of government agencies' aims and objectives. Consequently, in order to stop the probability of an event or violation happening, the agency must perform a risk assessment.

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