

Research Article

Financial Report Quality: The Role of Accrual-Based Government Accounting Standards and H.R. Competency

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Received: 08-12-2023; Accepted: 30-12-2023

Abstract

This study aims to analyze and obtain empirical evidence about the effect of accrual-based government accounting standards and human resource competencies on the quality of government financial reports. Respondents in this study were employees of the financial division of offices in DKI Jakarta. The financial employee research sample is 100 respondents. The analysis technique uses PLS-SEM with the SmartPLS 3.0 program. The results of this study indicate that the competence of human resources influences the application of P.P. No. 71 of 2010 based on accruals and the quality of financial reports. Meanwhile, the application of accrual-based government accounting standards has no effect on the quality of financial reports. The results of this research can be useful for the government as input and consideration in determining policies, especially related to improving the quality of local government financial reporting information and increasing human resource competence, as well as financial accountability.

Keywords: P.P. No 71 of 2010 Accrual Base, Human Resources Competences, Quality of Financial Statements

JEL Classification: M41, H83, G32

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How to cite: Juniarti, Noersanti, L., Gladys, A., (2023). Financial Report Quality: The Role of Accrual-Based Government Accounting Standards and H.R. Competency, *Taxation and Public Finance (TPF)* 1(1), 1-8



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1. Introduction

Development of government accounting policies in the form of Government Accounting Standards (SAP) which aims to provide basic guidelines in the preparation and presentation of government financial reports for both central and regional governments. SAP is a requirement that has legal force in an effort to improve the quality of government financial reports in Indonesia. The government then mandated the task of preparing these standards to an independent standards committee established by a presidential decree regarding the government accounting standards committee. This provision mandates the use of the accrual basis in the recognition and measurement of income and expenditure, which reads as follows: The main qualitative characteristics that should be present in financial reports according to the Indonesian Institute of Accountants are (1) Understandability, (2) Relevance, (3) Reliability, and (4) Comparability.

Until now, academics in the field of accounting are still more focused on corporate financial reporting, and there are still few who examine the issue of government financial reporting and the problems therein. So, it is deemed necessary to conduct research related to accounting and financial reporting, especially carried out by regional trap work units.

The results of the examination show that the opinion given by the BPK on the LKPD of DKI Jakarta Province within a period of 5 years was fair with exceptions in 2014-2016 and fair without exception in 2017-2018. The results of the inspection revealed that the DKI Jakarta Provincial Government obtained an Unqualified Opinion (WTP). The inspection revealed 70 findings containing 111 problems, with details of 12 problems with regional losses, seven problems with potential regional losses, 15 problems with lack of revenue, 15 problems with administration, and 62 problems with SPI weaknesses. Among these problems is non-compliance with statutory provisions. The issue of human resource competency is a challenge for every regional service financial officer. The phenomenon found is that there is still a gap between competence as a basic task requirement and the competence possessed by employees. It must be acknowledged that there are still problems that occur where financial management and financial report preparation staff involved in financial management still need to gain skills in accounting.

According to Gayatri (2017), accrual-based accounting has a positive effect on the quality of financial reports, and government accounting standards have a positive but not significant effect on the quality of financial reports (Jecklin et al., 2022). Human Resources have a positive effect on the implementation of accrual-based Government Accounting Standards and do not affect the quality of Regional Government Financial Reports (Luty and Arkas, 2021; Mutiah and Hari, 2019). Meanwhile, according to Nur et al. (2019) and La Ode et al. (2022), human resource competency has a positive effect on the quality of regional government financial reports.

This research aims to obtain empirical evidence regarding the application of accrual-based government accounting standards and human resource competency to the quality of the DKI Jakarta regional government's financial reports. The results of this research can be useful for the government as input and consideration in determining policies, especially regarding improving the quality of regional government financial reports and increasing human resource competency, as well as financial accountability.

2. Literature Review and Hypothesis

Human Resource Competencies, Accrual-Based Government Accounting Standards, Quality of Financial Reports: Theory and Concepts

In running a clean and honest government, competent human resources are needed to implement applicable regulations and also produce reliable and accountable government financial reports. This relationship is outlined in agency theory according to (Santosa et al., 2022), which states that agency relationships can be realized in all entities that rely on contracts, either explicitly or implicitly, as reference institutions for participant behavior. As with public entities, agency relationships can occur in a state structure, especially in a democratic system like Indonesia.

Hypothesis Development

Competency is the ability to carry out or carry out a job or task based on skills and knowledge supported by the work attitudes required by the job. (Silvia et.al., 2019). Human resources are a very important organizational element that must be managed appropriately in order to provide optimal contributions to achieving organizational goals (Haerani et al., 2020).

In this research, the human resources referred to are human resource competencies in financial management (Velte, 2019). According to Said and Noch (2018), the quality of regional government financial reports is a result of the process of identifying, measuring, and recording economic (financial) transactions from accounting entities in a local government, which is used as information in the context of responsible financial management of accounting entities and making economic decisions by parties who need it. Rama Ardianto and Chermian Eforis (2019) found that human resource competency influences the quality of financial reports. This research is in line with

research by Cris et. al. (2018) found that Human Resource Competency influences the Quality of Financial Reports. Likewise, Mamulati et al. (2016) found that the higher the level of employee competence, the more performance will increase, which means that human resource competence has a significant effect on performance. Thus, to produce quality financial reports, of course, competent human resources are needed to achieve Understandable financial reports, relevance, reliability and comparability. Based on the description above, this research hypothesis can be formulated as follows.

H1: Human resource competency influences the quality of local government financial reports

Government regulation no.71 of 2010 Article 1 paragraph 8 states that accrual-based government accounting standards are government accounting standards that recognize income, expenses, assets, debt, and equity in accrual-based financial reporting, as well as recognizing income, expenditure, and financing in implementation reporting. The budget is based on a basis determined in the state revenue and expenditure budget (APBN) or regional revenue and expenditure budget (APBD). This government regulation also explains that the qualitative characteristics of financial reports are measures that meet the norms that need to be realized in accounting information so that it can fulfill its objectives. The following four characteristics are normative prerequisites needed for government financial reports to meet the desired quality: Relevant, reliable, comparable and understandable.

According to Enita and Eni (2020), the implementation of accrual-based government accounting standards is influenced by the quality of human resources. Meanwhile, according to (Komang Adhi Rivan Niagawan et al. (2020), human resource competency influences the implementation of accrual-based government accounting standards. This finding means that the better the human resource competency you have, the greater the implementation of accrual-based government accounting standards. Hypothesis used:

H2: Human resource competency influences the implementation of accrual-based government accounting standards.

Central and regional government financial reporting must refer to government accounting standards in accordance with P.P. No.71 of 2010. Thus, government accounting standards are requirements that have legal force in an effort to improve the quality of government financial reports in Indonesia (Rasyidah Nadir and Hasyim, 2017). Accrual-based government accounting standards are government accounting standards that recognize income, expenses, assets, debt, and equity in accrual-based financial reporting, as well as recognizing income, expenditure, and financing in budget implementation reporting based on the basis specified in the APBN/APBD. (Nikke Yusnita Mahardini and Ade Miranti, 2018). The accrual basis is the basis of accounting where income is recognized when it is generated without needing to pay attention to cash receipts (either advances or cash inflows). Expenses are recognized when payment transactions have been made even though the costs have yet to be paid (paid in advance or costs that have been paid in advance). Issued even though it has not been paid). (Pattiasina and M. Y. Noch, 2019). The implementation of accrual-based SAP has a significant positive effect on the quality of financial reports (Jusmani, et.al., 2022) that the implementation of SAP has a positive effect on the quality of presentation of financial reports. The implementation of government accounting standards has a positive effect on the quality performance of financial reports (Berlian and Harry, 2019).

H3: The implementation of accrual-based government accounting standards affects the quality of local government financial reports

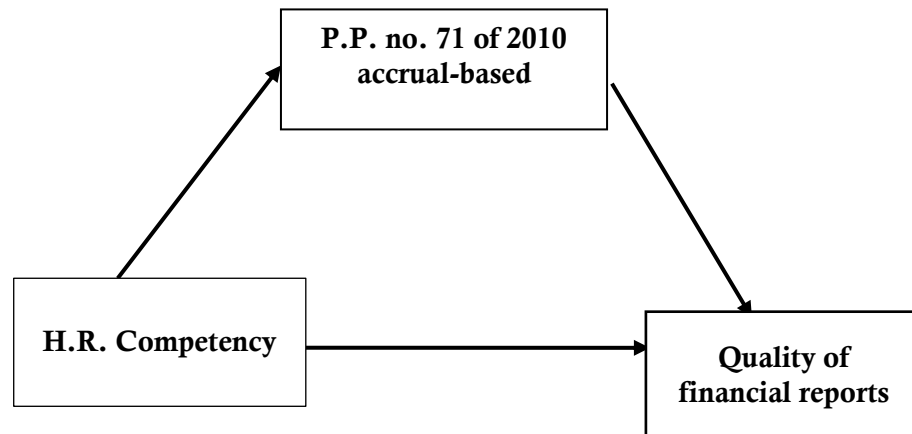


Figure 1. Conceptual Framework

3. Data and Method

This research uses associative research with a quantitative approach. The sampling method was carried out using the purposive sampling method. A total of 100 respondents, consisting of 21 agencies in DKI Jakarta.

This research uses a research instrument in the form of a questionnaire. The statements contained in this research questionnaire were submitted to respondents, with the aim of obtaining information related to the variables contained in the research. The questionnaire in this study was measured using a Likert scale. The Likert scale used is a 4-dimensional Likert scale with a value range of 1 to 4. The rating scale ranges from 1 = "strongly disagree" to 4 = "strongly agree." Three indicators, namely, measure Human Resource Competency: a) Knowledge, b) Skills, and c) Attitude. Meanwhile, the current implementation of government accounting standards is accrual-based and guided by PP NO. 71 of 2010. Recording, Classifying, Summarizing, and Reporting measure implementation of Government Accounting Standards. Meanwhile, the quality of financial reports is measured by being relevant, reliable, understandable, and comparable. (Kartika Sari and Gita Desipradani, 2022).

Data analysis techniques will be processed using a structural equation model (SEM) using partial least squares (PLS) regression. Research with smaller samples, but the nature of the population determines situations where the sample size is small and acceptable, so research can use PLS-SEM in analyzing data (Hair et al., 2021). So, the data analysis used in this research was using SmartPLS 3 software.

4. Results

In this discussion, all returned questionnaires were filled in completely by respondents so that 100 copies of the questionnaire (100%) could be processed in this research. The results of descriptive statistical tests are contained in Table 1 below.

The human resource competency variable, P.P. no. 71 of 2010, and the quality of financial reports, as a whole, have been assessed as good by respondents, so these variables are good. They can describe the variables as a whole.

Table 1. Descriptive statistics

	H.R. Competency	PP No. 71 of 2010 accrual-based	Quality of financial reports
<i>Mean</i>	89.79	95.03	38.23
<i>Median</i>	87	95	38
<i>Mode</i>	81	84	44

<i>Standard Deviation</i>	9.3250	9.1358	4.6403
<i>Range</i>	39	40	12
<i>Minimum</i>	69	72	32
<i>Maximum</i>	108	112	44
<i>Count</i>	100	100	100

Structural Validity and Reliability Testing

The validity test is to measure the correlation between indicators representing variables and the variable construct so that they truly represent the latent construct (Wahyuddin et al., 2023; Hair et al., 2021). The convergent validity test can be carried out using the factor loadings test and analyzed using the average variance extracted (AVE) value. The results of this procedure are that if the factor loadings have a value of 0.7, the indicator can be used as a valid parameter measure in measuring latent variables (Hair et al., 2021). Based on the results of convergent validity testing shown by factor loadings, it can be observed that there are indicators which is invalid because the value is less than 0.7 and must be deleted. After reducing these indicators, the PLS Algorithm test was carried out again. The results of the factor loadings test and the validity of each indicator can be seen in Table 2 below. Several variables that have factor loadings of less than 0.7 and above 0.6 can still be considered valid (Ghazali, 2008).

Table 2. Overview of the number of indicators

No	Variable	Number of indicators		
		Before reduction	Removed	After reduction
1	H.R. Competency	27	15	12
2	Quality of financial reports	11	0	11
3	P.P. no.71 of 2010 is accrual based	28	18	10

Source: Data Processed

Based on the overview of the number of indicators after deletion, the next indicator used is after reduction, so it is known that each research variable indicator has an outer loading value of > 0.7 . This result shows that the indicator is deemed appropriate or valid for research use and can be used for further analysis.

Composite Reliability, AVE, and Cronbach Alpha values

The next criteria are composite reliability, convergent validity (AVE), and Cronbach Alpha, which are presented in Table 3 below:

Table 3. Composite Reliability, AVE, and Cronbach Alpha values

<i>Variable</i>	<i>Composite Reliability</i>	<i>(AVE)</i>	<i>Cronbach Alpha</i>
H.R. Competency	0.945	0.591	0.937
Quality of Financial Reports	0.964	0.711	0.959
PP no. 71 of 2010 is accrual based	0.934	0.588	0.922

Based on the composite reliability values presented show that the three latent variables have composite reliability values above 0.6. This result means that the indicators that have been determined are able to measure each latent variable (construct) well or that the three measurement models are reliable. Likewise, the Convergent Validity (AVE) value is getting better, as shown by the higher correlation between the indicators that make up a construct. The AVE value shows that the three latent variables have an AVE value above the minimum criteria, namely 0.5 so that the convergent validity measure is good or can be said to have met the convergent validity criteria.

Likewise, the Cronbach alpha value for each research variable is > 0.7 . Thus, these results can show that each research variable has met the Cronbach alpha value requirements, so it can be

concluded that all variables have a high level of reliability.

Model Goodness Test (Goodness of Fit)

The goodness of fit assessment is known from the Q-Square value. Has the same meaning as coefficient determination (R-Square) in regression analysis, where the higher the Q-Square, the model can be said to be better or more fit to the data. The calculation result of the Q-Square value is 0.698. This finding shows that the large diversity of research data that the research model can explain is 69.8%. Meanwhile, the remaining 30.2% is explained by other factors outside this research model. Thus, from these results, this research model has good goodness of fit.

Uji Hipotesis

Hypothesis testing is based on data processing that has been carried out, and the results can be used to answer the hypothesis in this research. Hypothesis testing in this research was carried out by looking at the t-statistics values and p-value values. The research hypothesis can be declared accepted if the p-value < 0.05 .

The following are the results of hypothesis testing obtained in this research through the inner model:

Table 4. t-Statistics dan p-Values

Hypothesis	Influence	T-Statistics	P-Values	Results
H1	H.R. Competency =>Quality of Financial Reports	5.754	0.000	Accepted
H2	H.R. Competency => P.P. No. 71 of 2010 Accrual Basis	10.400	0.000	Accepted
H3	P.P. No. 71 of 2010 Accrual Basis =>Quality of Financial Reports	1.718	0.086	Rejected

5. Discussion

Human resource competency influences the quality of local government financial reports.

Based on the path coefficient analysis, significant results were obtained, reinforced by the resulting p-value of $0.00 < 0.05$ and the human resource competency coefficient value of 5,754 in a positive direction. Therefore, H1 is accepted, namely that human resource competency has a positive effect on the quality of financial reports. This result means that the better the level of Human Resource Competency, the better the level of Quality of Financial Reports of the DKI Jakarta Provincial Government.

Human resource competency influences the implementation of accrual-based government accounting standards.

Based on the path coefficient analysis, significant results were obtained, reinforced by the resulting p-value of $0.00 < 0.05$ and the human resource competency coefficient value of 10,400 in a positive direction. Therefore, H2 is accepted, namely, that human resource competency has a positive effect on P.P. No. 71 of 2010 on an accrual basis. This means that the better the human resources, the better the implementation of P.P. No. 71 of 2010 on an accrual basis in order to achieve the government's goal of producing quality financial reports.

The implementation of accrual-based government accounting standards affects the quality of local government financial reports.

Based on the path coefficient analysis, significant results were obtained, reinforced by the resulting p-value of $0.86 > 0.05$ and the accrual-based PP No. 71 of 2010 coefficient value of 1,718 in a positive direction. Therefore, H3 is rejected; PP No.71 of 2010 does not have a positive effect on the quality of financial reports. From the results above, how many government regulations or policies are made to produce financial reports that are relevant and accountable is not as significant if it is not followed by human resource competency, so here, human resource competency is really

needed to produce quality financial reports and also in the implementation of these government regulations. So, the determining factor for the quality of financial reports is human resource competency.

6. Conclusion

Based on the research results, the following conclusions can be drawn: Human Resource Competency has a significant effect on the Implementation of PP No. 71 of 2010 on an accrual basis and the Quality of Financial Reports. This result means that the better the human resources, the better the implementation of P.P. No. 71 of 2010 on an accrual basis in order to achieve the government's goal of producing quality financial reports. The better the level of Human Resource Competency, the better the level of Quality of Financial Reports of the DKI Jakarta Provincial Government. The implementation of P.P. No. 71 of 2010 on an accrual basis does not affect the quality of the DKI Jakarta Provincial Government's Financial Reports. This finding shows that whatever regulations are made depends on the human resources who implement the regulations. If the people are good, then the results will be good, and vice versa.

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