

Analysis Of Determinant Factors Quality Of Financial Reporting Of Regional Financial Management Work Units In Indonesia

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Abstract:

This study intends to investigate the effects on the quality and value of financial report information of human resource quality, internal control systems, government accounting standards implementation, use of regional financial accounting information systems, and accounting knowledge. This study examines relationships between causes and effects. Questionnaires are used to collect data. The research's population consists of all employees who have employed information systems to do their jobs. With a sample size of 100, the sampling strategy is non-probability sampling. Multiple linear regression analysis was employed as the analytical technique in this study. The study's result demonstrates that a number of variables have varying effects on the informational usefulness and quality of regional financial reports. First off, there isn't much of an impact from the caliber of human resources. Furthermore, there is no notable impact from the internal control system. Third, the information value and quality of regional financial reports are greatly impacted by the use of government accounting rules. Fourth, there is no discernible impact from using regional financial accounting information systems. Fifth, the informational value of regional financial reports is greatly impacted by one's grasp of accounting. Overall, each of these variables affects regional financial reports' information value and quality at the same time, highlighting the need of effective management in these areas for raising the caliber of regional financial data.

Keywords: human resources, financial accounting, information systems, government accounting standards.

Introduction

Demands for accountability for public sector organizations in Indonesia are increasingly emerging in various forms. Accountability refers to the duty to provide an explanation for the accomplishment or lack thereof of the organization's mission in reaching predetermined goals and targets through a regular accountability process. The public can now more easily access financial reports from both the central and regional governments, as well as other information regarding regional governments, thanks to advancements in information and communication technology (Riyadi, 2020). Society is becoming more and more sophisticated in its demands for transparency in public financial management, and these demands must be favorably met. In order for accounting information to achieve its goals, normative measures known as qualitative characteristics of financial reports must be implemented. To ensure that regional government financial reports are of the appropriate caliber, they must possess the following four normative prerequisites: they must be pertinent, trustworthy, comparable, and comprehensible. The overall goal of the data included in financial reports is to satisfy the information requirements of all user groups. The public, people's representatives, oversight and auditing organizations, companies that supply or are involved in the donation, investment, and lending procedures, and the government are the groups that utilize financial reports. Since various user groups benefit from the information in financial reports, it is imperative that the reports be of the highest caliber when they are generated (Apriliani et al., 2023).

A key component of producing high-quality financial reports is human resources. When it comes to creating financial reports, quality human resources are those that are available in sufficient numbers and satisfy certain requirements. These include having a minimum accounting diploma, understanding and performing roles, responsibilities, and duties in compliance with local laws, and creating financial reports in line with accounting functions, accounting processes, and accounting procedures. When preparing financial reports, operational supporting resources like information technology and information systems must assist financial staff. Accounting training is also necessary to enhance the caliber of human resources (Setiawati et al., 2023). Leaders create an internal control system for all tasks concerning the upkeep and management of their own resources. By putting into practice the components of an internal control system a written code of ethics, a control environment, and leadership that sets an example of behavior consistent with the code of ethics an internal control system serves as a policy to guarantee that an organizational goal has been met. The second is risk assessment, namely determining limits, tolerance, internal control, and risk management. Third are control activities, namely authorization and separation of duties. Fourth is information and communication, namely the existence of an information system to carry out responsibilities and an accounting system that allows audits. Fifth is monitoring internal control, namely supervising internal control activities by examining accounting records (Cahyani, 2021).

The purpose of using a financial accounting information system is to quickly, simply, and accurately prepare accounting reports that come from an integrated information system. This is made possible by the availability of an internet network and a sufficient number of computer networks that act as a link in the information-sending process, enabling the accounting and reporting processes to be completed. Equipment maintenance must be done on a regular and timely basis if it is computerized and compliant with regional financial accounting information systems and legislative restrictions (Apriliani et al., 2024). Because information consistency is maintained, a computerized accounting method will decrease recording errors or major misstatements, preserving the credibility of financial reports. Furthermore, in order to prepare financial reports on time, a regional financial accounting information system linked to a strong internet connection would expedite the procedure. These factors suggest that using regional financial accounting information systems can enhance the regional financial reports' information value and quality. The quality of financial reports will be impacted by one's understanding of accounting, since one needs accounting knowledge to produce high-quality financial reports (Tannady & Filbert, 2018).

Knowing the fundamental accounting concepts and practices that are applied while creating financial reports is essentially part of understanding accounting. This comprehension involves knowledge of accounting practices pertaining to cash receipts and disbursements, fixed asset management, and recording transactions in compliance with government accounting standards in the context of regional financial reporting. Aside from that, double entry

recording is another idea that needs to be understood in order to record both the credit and debit sides of a transaction in two separate accounts (Enny, 2019). This understanding is important because it will ensure that regional financial reports are prepared correctly and in accordance with applicable accounting principles, both on a cash basis and an accrual basis. With a good understanding, financial employees will be able to present accurate and trustworthy financial information to stakeholders (Apriliani et al., 2023).

Literature Review

The caliber and aptitude of an organization's human resources play a major role in determining how well it accomplishes its objectives. Along with a variety of other resources, human resources are the primary resource in any business, governmental or commercial. In order to preserve the organization's standing as a leader in performance and responsibility among the community, public organizations place a greater emphasis on HR's ability to serve the community (Mertawari, 2020). The ability of human resources to do the tasks assigned to them with appropriate education, training, and experience is a measure of their quality. Human capital is seen as a factor that can generate capital, in the sense that quality human resources can prepare a good business plan so that the project that will be carried out will be able to convince investors to finance the project. The final view of human resources is positioned as human capital, which positions human resources as capital. Human investment, which means that HR is an investment. Like investments, they must be managed well so that they bring benefits to the organization. If humans become an investment, they should be developed by increasing their formal, informal, and non-formal education (Hermiyetti et al., 2023).

The internal control system is a set of guidelines and practices intended to guarantee that the business appropriately accomplishes its aims and objectives (Hartawan, 2022). This system's main goals are to guarantee the accuracy of financial reporting, boost operational effectiveness and efficiency, and guarantee adherence to relevant legal and regulatory requirements (Tannady et al., 2020). The leadership and all staff members participate in an integrated process of actions and activities that constitutes the internal control system (Tannady et al., 2022). By assuring the accuracy of financial reporting, protecting business assets, and upholding legal compliance, this seeks to give enough confidence that the organization can accomplish its objectives through effective and efficient operations. In developing an effective internal control system, it is necessary to carry out continuous evaluation and improvement (Wibowo, 2021). Steps that can be taken include identifying risks, designing appropriate policies and procedures, implementing effective controls, and carrying out regular monitoring and evaluation. In this way, the company can ensure that the internal control system implemented can provide maximum benefits in accordance with the stated objectives.

Methodology

A cause-and-effect relationship technique is used in this study to determine how many independent factors have an impact on the dependent variable. Primary data, or information gathered directly from original sources via surveys, was used for data gathering. All employees who use information systems for work are the study's population. A non-probability sampling technique was used to collect samples, with a sample size of 100 respondents. A multicollinearity test and a heteroscedasticity test were performed to make sure the regression model that was used adheres to the traditional assumptions. To make sure the regression model is error-free, this test is crucial. Multiple linear regression is the analytical technique employed in this study since it is anticipated that the relationship between the independent and dependent variables is linear. Through the application of this methodology, it is hoped that this research will contribute to a better understanding of the variables influencing information system use in the workplace.

Case studies

The quality of information value of regional financial reports is positively correlated with the variables of human resource quality, internal control system, government accounting standard implementation, use of regional financial

accounting information systems, and accounting knowledge, according to the regression analysis results. The human resource quality variable does, however, have some exceptions. The null hypothesis (Ha1), according to which this variable has no bearing on the information value and quality of regional financial reports, is rejected based on the statistical test results, which indicate a t-count of 1.3. The human resource quality variable has a regression coefficient of 0.3, despite the fact that it has no discernible influence. Accordingly, there will be a 0.3 rise in the information value of regional financial reports for every unit increase in the quality of human resources. The aforementioned indicates that enhancing the caliber of human resources has a favorable impact on the information value of regional financial reports, albeit not reaching statistical significance.

In order to prepare financial reports that will be presented in compliance with government accounting requirements and ensure that the resultant regional financial reports fulfill the quality characteristics of financial reports, it is necessary to increase the quality of human resources. The statistical data, however, do not support this, stating that there is no relationship between the quality of human resources and the information value of regional financial reports. Employee quality will not improve if they receive insufficient training. Accounting majors among the respondents are aware of the role accounting procedures play in the preparation of financial reports; they also know that these reports should be prepared quickly and easily in accordance with government accounting standards in order for them to be useful. If they do not receive ongoing training to hone their financial report preparation skills, responders without an accounting background will find it difficult to prepare financial reports. The more experience you have working in the financial sector, the greater your skills in processing financial data, so that you can reduce material misstatements. In this way, it can be concluded that employees are not routinely given training to improve the skills and quality of their performance in preparing regional financial reports. Therefore, training for financial management needs to be held regularly to improve the quality of performance.

Ha2 is denied because the internal control system variable's t-count of 0.7 indicates that there is no discernible impact on the information value of regional financial reports' quality. The quality of the information value of regional financial reports will rise by 0.2 for every unit increase in the internal control system, according to the regression coefficient for this variable, which is 0.2. Effective internal control systems lower the possibility of mistakes, stop fraud, and guarantee correct accounting records, all of which improve the dependability of financial reports. However, statistical findings indicate that the information value and quality of regional financial reports are not significantly impacted by the internal control system. Leadership oversight is a crucial part of the internal control system. Nevertheless, because this observation is rarely done on a regular basis, management is not always certain if staff members have followed government accounting regulations. Thus, in order to maintain the accuracy of financial reports, it is critical for firms to focus on and enhance their internal control systems.

A code of ethics is an important part of an organization's internal control environment. However, the research results show that the code of ethics has not been implemented well in the organizations studied. Leaders also have not set an example by behaving in accordance with the code of ethics, which can influence employee behavior in the organization. When leaders and employees do not comply with the code of ethics, there is a risk of fraud or other violations. Understanding the importance of implementing an internal control system is also influenced by the employee's educational background. Accounting graduates typically have a greater understanding of the internal control system's objective, which is to ensure the accuracy of financial reports. However, those who did not have their education in accounting might not be aware of the significance of the internal control framework and how it affects the accuracy of financial reports. Maintaining the accuracy of financial reports requires the implementation of a strong internal control system. Financial reports' dependability may be questioned if they are not completed correctly. As a result, it's critical that businesses strengthen their oversight of accounting records, constantly enforce their code of ethics, and foster an atmosphere that encourages the development of strong internal control systems.

The t-calculated value of 6.3 for the variable "implementation of government accounting standards" indicates that Ha3 is accepted, meaning that this variable significantly affects the information value and quality of regional financial reports. The quality of the information value of regional financial reports will increase by 0.8 for every unit increase in the application of government accounting standards, according to the regression coefficient for this variable, which is 0.8. In order to prepare financial reports, it is crucial to apply government accounting rules. Employees can guarantee that the accounting procedure and financial report preparation adhere to relevant rules by putting this standard into practice. By doing this, mistakes and deceptive information displays in financial reports may

be avoided. Based on these findings, it can be said that regional financial reports have been prepared correctly using government accounting standards. This demonstrates a dedication to guaranteeing the accuracy of financial reports and giving stakeholders relevant information.

With a t-value of 1.3, the variable "regional financial accounting information system utilization" is not significantly related to the quality of information value of regional financial reports, indicating that Ha4 is rejected. The regression coefficient for this variable is 0.4, meaning that the quality of the information value of regional financial reports will rise by 0.4 for every unit increase in the use of the regional financial accounting information system. While creating financial reports, it's critical to make use of regional financial accounting information systems. Staff members can use this technology to support their work if it is used properly. The study's findings, however, indicate that using regional financial accounting information systems is not the best option. This system may process data slowly if it is not maintained on a regular basis. The inability to produce financial reports on time may be a result of this sluggish performance. These findings suggest that in order to support the process of creating financial reports more precisely and effectively, there is a need to boost the use of regional financial accounting information systems. The information in regional financial reports will be of higher quality if this technology is used appropriately.

A website-based system for financial management, administration, and reporting serves as the regional financial accounting information system. For employees to use this system without interruption, a steady internet connection is necessary. Disruptions to the internet connection can hinder the processing of financial data, so special attention is needed to ensure the availability of a reliable network. Respondents with an educational background in accounting tend to better understand the differences between manual and computerized accounting processes. They realized that manual recording took longer than using an information system. Therefore, the use of information systems is important for financial staff to manage regional finances efficiently. The importance of a regular maintenance schedule is also in focus, because this will improve the overall performance of the information system. With good maintenance, employees can make optimal use of the information system, thereby supporting the presentation of financial reports quickly and on time.

The t-calculated value of 2.5 for the accounting understanding variable indicates that Ha5 is acceptable, indicating that the accounting understanding variable significantly influences the information value and quality of regional financial reports. This variable's regression coefficient is 0.4, meaning that for every unit improvement in accounting knowledge, there will be a 0.4 rise in the information value of regional financial reports in terms of quality. The ability of an individual to handle accounting or financial data and compile it in financial reports in compliance with government accounting rules is a key indicator of accounting understanding. Financial report customers will find it easier to compare and comprehend the information if staff members are aware of accounting presentation techniques that adhere to government accounting standards. Based on how regional financial accounting is presented, which is dictated by government accounting rules, it may be said that employees comprehend regional financial accounting. These findings are consistent with earlier studies that demonstrate how knowledge of accounting affects the informational value and quality of regional financial reporting.

Conclusion

The study's result demonstrates that a number of variables have varying effects on the informational usefulness and quality of regional financial reports. First off, the number of qualified personnel and the quality of human resources have an impact on the research findings, thus there is no substantial difference in these two factors. Furthermore, the lack of understanding on the significance of the internal control system also contributes to its lack of impact. Third, in keeping with other studies, the use of government accounting standards has a major impact on the informational value of regional financial reports. Fourth, because regional financial accounting information systems depend on a solid internet network and are not well-maintained, their utilization has no appreciable impact. Fifth, the informational value of regional financial reports is greatly impacted by one's grasp of accounting. Overall, each of these variables affects regional financial reports' information value and quality at the same time, highlighting the need of effective management in these areas for raising the caliber of regional financial data.

Based on the conclusions and limitations identified in this research, there are several suggestions that can be given to related parties. First, it is recommended to carry out regular training on government accounting

standards, monitor compliance with standards and codes of ethics, and carry out routine maintenance on computers and regional financial accounting information systems. Second, it is advised that future researchers increase the size of the research sample, include characteristics related to accounting comprehension, consider the histories of the participants, and include additional independent variables like the usage of information technology and local financial supervision. Thus, more investigation can yield a more profound comprehension of the variables influencing the caliber and worth of regional financial reports. This study has a number of drawbacks. Firstly, because the sample size is small, it cannot adequately reflect the scope of regional administration. Secondly, the lack of measurement in this study results in an incomplete depiction of the impact of respondents' accounting knowledge on the information value and quality of regional financial reports. Third, only the following independent variables were used to examine the impact on the information value and quality of regional financial reports: the quality of human resources; the internal control system; the application of government accounting standards; the use of regional financial accounting information systems; and the accounting knowledge.

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