

The Determinant Variables of Village Financial Statements Quality

Dwi Astuti, Ahmad Roziq

Faculty of Economics Jember University, Jember Indonesia

e-mail: dwi.astuti.se@gmail.com

Abstract: *The quality of village financial statements is required by the village government and local governments for decision making. Since the quality of financial reports is essential, this study examined the Determining Variables of Village Financial Statements Quality. The questionnaire was distributed to the sample villages, 189 villages, but only 129 villages filled the questionnaire. The obtained data were analyzed using the Structural Equation Modeling (SEM) analysis. Human resource competencies have a positive and significant influence on E-Village Budgeting, SAP application, and internal control. Meanwhile, E-Village Budgeting, SAP application, and human resource competencies have a positive but insignificant effect on the quality of village financial statements. Additionally, internal control has a positive and significant effect on the Quality of Village Financial Statements.*

Keywords: E- Village Budgeting, SAP application, internal control of human resource competencies, quality of financial statement

1. Introduction

The Ministry of Villages, Development of Disadvantaged Regions, and Transmigration [1] regulates priorities for the use of village funds in 2016, including for the benefit of village development and empowerment of village communities. The ministerial regulation encourages the village government to carry out village development in terms of infrastructure, human resources, and economic development by empowering village communities to be better communities.

Banyuwangi is a regency on the eastern part of Java with a population of 1,692,324 people with 25 sub-districts consisting of 189 villages and 28 wards. Since it extends from south to north with an area of 5,782.50 km², Banyuwangi Regency provides easy access in reporting the use of village funds called E-Village Budgeting. It is expected that this E-Budgeting can minimize travel time to report on village funds effectively and efficiently [2].

Furthermore, the use of the E-monitoring System is also an innovation predicted to be very effective and efficient in controlling the village fund budget for this system might find out the progress of development. Moreover, it can also avoid multiple developments for the system accesses location points and images of project work.

The Regent, Mr. Anas, explained that in 2015 Banyuwangi Regency was obliged to use accrual-based accounting following SAP. Thus, Banyuwangi Regency was made a pilot project that received the title of unqualified opinion due to the successful application of accrual-based accounting and several awards from the central government [2].

2. Theoretical Basis

2.1 Internet-Based Village Budget (E-Village Budgeting)

The budget is a process carried out by public sector organizations for limited resources to meet very limited needs and can be interpreted as the performance carried out

by public sector organizations for the next 1 year plan [3]. Articles of association which are very important for planning, controlling and performance evaluation organizations to create the welfare of the community [4].

Regional Financial Information System is required to be implemented under the development process in line with the principles of good government governance. Moreover, local governments are required to develop and use advances in information technology to channel increased capacity in the delivery of regional financial information and fast information for public services [5]. The regional financial information system is a system used to document, administer, and manage regional financial management data and other data to be the material used to make decisions in planning, implementing, and reporting responsibilities to the public.

Ministry of Home Affairs defines E-budgeting as a tool used by the government to compile budgets to account for the use of the budget. This E-budgeting system aims to create accountable and transparent government reports. It is also used as a reference for whether it is following the applicable law. E-budgeting is also used to obtain quality local government financial statements that can be accessed by users of government financial statements.

2.2 Government Accounting Standards

Government Accounting Standards (*Standar Akuntansi Pemerintahan* (SAP)) is regulated by Government Regulation No. 71 of 2010 which replaces Government Regulation No. 24 of 2005. Government Accounting Standards (SAP) in the form of Government Accounting Standards (*Pernyataan Standar Akuntansi Pemerintahan* (PSAP)), with Introduction to Government Accounting Standards and compiled referring to the Government Accounting Conceptual Framework. Government Regulation No. 71/2010 describes the conceptual framework in which the conceptual framework is intended to be the development and preparation of government accounting standards used for references to government accounting

standards committees and preparation of financial statements, as well as for auditors and users of financial statements to find solutions to problems that have not been regulated in the statement of government accounting standards.

According to the Government Accounting System, all entities are required to report the efforts that have been made with the achievement of the results of implementing their activities in a systematic and structured manner within a certain period. This reporting is used for accounting, management, transparency, and balance between generations and performance evaluation. The implementation of SAP by local governments will produce quality financial reports that contain useful information [6].

2.3 Internal Control

Internal control is defined as a process carried out by a company or agency to obtain reliability in financial reporting, achieving operational effectiveness and efficiency, as well as obedience to agreed laws [7].

Proposes a definition of internal control. He states that internal control is a process carried out by the board of commissioners, managers, and other personnel to assure the achievement of three groups, namely reliability of financial reporting, compliance with applicable laws and regulations, and effectiveness and efficiency of operations [8]. Internal control components are created and used by management to ensure that the objectives of internal control are achieved [9].

2.4 Quality of Financial Statements

Indicators to assess the quality of financial statements, including the financial statements that are required to have the resulting benefits, timeliness for financial reporting, and complete information [10]. Moreover, the contents of the financial statements are nominal according to the real value (accountable) that can be verified and compared. At last financial statements should have the clarity of the information contained in it [10].

Financial statements should provide useful information for users to assess accountability and make decisions in all areas. Thus, financial statements should 1) provide information on the source, all uses, 2) provide information regarding the adequacy of revenues to finance all expenses, 3) provide information regarding the number of economic resources used in the reporting entity's activities and results achieved, 4) provide information on how the reporting entity funds all activities and sufficient cash, 5) provide information regarding the financial position and condition of the entity concerning sources of revenue, both short and long term, such as taxes or loans, and 6) provide information on changes in the financial position that occur during a period [10].

2.5 Human Resource Competencies

Human Resources (HR) as manpower commonly referred to as employees, laborers, workers, and personnel who work in an organizational scope [11]. Also argues that human

resources are all people who carry out activities in an organization [12]. States that human resources are resources that have a reason, desire, feeling, drive, knowledge, and resources and work to achieve organizational and individual goals [13].

The quality of human resources in government is seen from several indicators, including dimensions of knowledge level (educational background and work experience), dimensions of attitudes in carrying out tasks (honesty & discipline), and dimensions of task implementation and skill (course, training, and upgrading) [14]. Human resource competence is the personal ability to carry out functions and authorities in accordance with the objectives to achieve effective and efficient goals that produce outputs and results [15]. The human resource competence is the result of information that is provided with information that is produced and produces information that is convincing financial statements and human resources who understand adequate accounting systems, willingness to learn and hone skills in their accounting skills. produce quality information [16].

3. Research Methods

This study employed a quantitative survey approach that tests the effect of cause and effect. Primary data in this study were obtained from distributing questionnaires distributed in the Banyuwangi Regency in which the respondents were the Head of the Village or Village Secretary. The population of this study was the village government apparatus from 189 villages in Banyuwangi. The data obtained were analyzed using structural equation modeling (SEM) while the hypothesis testing was done using the F count (F_t) test table.

4. Results and Discussion

The questionnaires were distributed in all sample villages in Banyuwangi Regency in this study. A Likert scale to answer the questionnaire with the X1 variable consisting of 3 questions, Y1 variable with 4 questions, Y2 variable with 5 questions, Y3 variable with 5 questions, and Y4 variable with 8 questions. There were 25 questions about the total variables given to 129 respondents. The results of the Discriminant Validity and Reliability Test on all indicators were above 0.7 and were declared valid. Additionally, the results of the compatibility test showed the values of CMIN/DF, GFI, AGFI, RMSEA, TLI, and CFI of those indicators in the questions were good. The results of the Assessment of Normality obtained CR multivariate of 2.145 < 2.58 which can be concluded that the research data were normally distributed.

The first hypothesis testing result states that the CR value was 10.666 or > 1.96 which means that H_1 is accepted. In other words, human resource competence has a positive and significant effect on E-Village Budgeting. Thus, the changes in the value of human resource competencies have a direct effect on the changes in E-Village Budgeting. In short, if the competence of human resources increases, there will be an increase in the level of E-Village Budgeting which accordingly will have a statistically significant effect. From the results of data processing with Amos 22.0, it is known that the path coefficient value of human resource

competence on E-Village Budgeting is 0.852, which means that human resource competence has a positive relationship to E-Village Budgeting.

The second hypothesis testing result states that the CR value is 11.532 or > 1.96 , which means that H_2 is accepted. Hence, human resource competence has a positive and significant effect on the application of SAP, meaning that changes in the value of human resource competencies have a direct effect on changes in SAP application. In other words, if the competence of human resources increases, there will be an increase in the level of SAP application that statistically has a significant effect. The results of data processing using Amos 22.0 showed that the path coefficient value of human resource competence on the application of SAP is 0.935. Therefore, human resource competence is declared to have a positive relationship with the application of SAP.

The third hypothesis testing result states that the CR value is 12.532 or > 1.96 , which means that H_3 is accepted. Therefore, human resource competence has a positive and significant effect on internal control. Thus, changes in the value of human resources competencies have a direct effect on changes in internal control. In other words, if the competence of human resources increases, there will be an increase in the level of internal control that has a statistically significant effect. Based on the results of data processing with Amos 22.0, it is known that the path coefficient value of human resource competence on internal control is 1.020 which means that human resource competence has a positive relationship with internal control

The fourth hypothesis testing result states that the CR value is 0.554 or < 1.96 . Thus, H_4 is rejected and E-village Budgeting has a positive but insignificant effect on the Quality of Village Financial Statements. Thus, if E-Village Budgeting increases, there will be no major changes in the Quality of Village Financial Statements and there will be an insignificant effect. The result of data processing using Amos 22.0 shows that the coefficient value of the E-Village Budgeting pathway to the Quality of Village Financial Statements is 0.059. It means that E-Village Budgeting has a positive relationship with the Quality of Village Financial Statements.

The fifth hypothesis testing result states that the CR value is 1.204 or < 1.96 . Thus, H_5 is rejected and the implementation of SAP has a positive but insignificant effect on the Quality of Village Financial Statements. It means that if the implementation of SAP increases, there will be no major changes and statistically insignificant to the Quality of Village Financial Statements. From the results of data processing using Amos 22.0, it is known that the path coefficient value of SAP application on the Quality of Village Financial Statements is 0.151, which means that the application of SAP has a positive relationship to the Quality of Village Financial Statements.

The sixth hypothesis testing result states that the CR value is 2.703 or > 1.96 . Accordingly, H_6 is accepted and internal control has a positive and significant effect on the quality of village financial statements. It means that changes in the value of internal control have a direct effect on changes in

the quality of village financial statements. In other words, if internal control increases, there will be an increase in the level of quality of village financial statements and it will have a statistically significant effect. From the results of data processing using Amos 22.0, it is known that the path coefficient value of the internal control on the Quality of Village Financial Statements is 0.548. It means that internal control has a positive relationship with the Quality of Village Financial Statement.

The seventh hypothesis testing result indicates that based on table 4.9, the CR value was 0.520 or < 1.96 . Thus, H_7 is rejected and the quality of human resources has a positive but insignificant effect on the quality of village financial statements. It means that if the quality of human resources increases, there will be no major changes and statistically insignificant to the quality of village financial statements. The results of data processing using Amos 22.0 showed that the path coefficient value of the quality of human resources has a positive relationship with the quality of v5.

5. Conclusion

This study concludes that human resource competence has a positive and significant effect on E-Village Budgeting, SAP application, and internal control, while E-Village Budgeting, SAP application, and human resources competence have a positive but insignificant effect on the quality of financial statements. Meanwhile, internal control has a positive and significant effect on the quality of village financial statements. Therefore, every village apparatus is required to improve their human resources competence, E-Village Budgeting, the application of SAP, and internal control, to increase and make a better quality of village financial statements in Banyuwangi Regency

References

- [1] Rachma, D.D., Somaji, R.P., and Kustono, A.S. 2019. Government Expenditure, Poverty And Income Inequality In Indonesia: New Evidence From Village Funds. *International Journal of Scientific & Technology Research*, Vol 8 (8), p: 38-42
- [2] Anas. 2020. Profik kependudukan <https://www.banyuwangikab.go.id/profil/kependudukan-dan-naker.html>
- [3] Yuliani, Safrida. 2010. Pengaruh Pemahaman Akuntansi, Pemanfaatan Sistem Informasi Akuntansi Keuangan Daerah Dan Peran Internal Audit Terhadap Kualitas Laporan Keuangan Pemerintah Daerah (Studi Pada Pemerintah Kota Banda Aceh). Fakultas Ekonomi Universitas Syiah Kuala. Aceh.
- [4] Halim & Kusufi. 2012. Akuntansi Sektor Publik: teori, konsep dan aplikasi. Jakarta
- [5] Kemendagri. 2005. Peraturan Pemerintah Nomor 56 Tahun 2005 tentang Sistem Informasi Keuangan Daerah.
- [6] Zeyn, E. , 2011. Pengaruh Good Governance Dan Standar Akuntansi Pemerintahan Terhadap Akuntabilitas Keuangan Dengan Komitmen Organisasi Sebagai Pemoderasi *Jurnal Reviu Akuntansi Dan Keuangan* Vol 1 No 1. Hal:21-37

- [7] IAI (Ikatan Akuntansi Indonesia). 2011. Standar Profesional Akuntan Publik (SPAP). Jakarta: Salemba Empat.
- [8] Mulyadi, 2009. Akuntansi Biaya, Edisi ke 5. Yogyakarta: STIE YKPN
- [9] Arens, A. A. et al. 2012. Jasa Audit dan Assurance. Edisi 14. Jakarta: Salemba Empat.
- [10] Kemendagri. 2005. Peraturan Pemerintah Nomor 56 Tahun 2005 tentang Sistem Informasi Keuangan Daerah.
- [11] Nawawi, Handari, Manajemen Sumber Daya Manusia, Yogyakarta: Gadjah Mada Universitas Press, 2005.
- [12] Gomes, Faustino Cardoso, Manajemen Sumber Daya Manusia, Yogyakarta: Andi Offset, 2001.
- [13] Edy Sutrisno. 2010. Manajemen Sumber Daya Manusia. Edisi Pertama. Cetakan Pertama. Jakarta : Penerbit Kencana
- [14] Djamarah, Syaiful Bahri. 2002. Psikologi Belajar. Rineka Cipta. Jakarta Furtwengler, Dale & Tjiptono, Fandy. 2002. Penilaian Kinerja. ANDI, Yogyakarta.
- [15] Indriasih, D. 2014. The Effect of Government Apparatus Competence and the Effectiveness of Government Internal Control Toward the Quality of Financial Reporting in Local Government. Research Journal of Finance and Accounting. Vol. 5, No. 20 ISSN 2222-2847
- [16] Sudarmanto. 2009. Kinerja dan Pengembangan Kompetensi Sumber Daya Manusia. Yogyakarta: Pustaka Pelajar.