

CHAPTER I

INTRODUCTION

A. Research Background

According to Institute of Indonesia Chartered Accountants (2009), the aim of financial statement is to provide information regarding the financial position, performance, and change in the financial position of the company in making economic decisions. Financial statement is an important requirement of an entity in showing their accountability to stockholders. That is why the arrangement of financial statement can be found in many sectors.

Indonesian society as the stockholder of the government sector today is a smart society in assessing the government, both in the performance process and the results of the performance itself. This can be seen from how society is demanding transparency and how society is more critical in assessing government's performance. The government must apply good governance in carrying out its duties to provide services or products to the community. Good governance is an implementation of development management that is in line with democratic principles, the avoidance of misallocation of investment funds, and the prevention of corruption both politically and administratively.

Khilmiyah and Isniatul (2016) argued that Indonesia needs a strong central government paradigm shift, both in to determine the policy and

carrying out its duties. In 1998, Soeharto as the President of Indonesia at that time, resigned from his position. It became the new era for the Indonesia history. The government processed to change the government system from the centralization to decentralization by the issuance of Provision of MPR RI no XV/MPR/1998 that regulates the implementation of regional autonomy, regulation, distribution and utilization of equitable National Resources, as well as financial balance between the central and regional government. It is continued by the issuance of another regulation such as Provision of MPR RI number IV/MPR/2000 about the implementation of decentralization system and Regulation number 23 year 2004 about Local Government.

Since the system has been changed, it effects to every aspect of governmental from the central to the region of the government. The central government paradigm, which initially controls all the Indonesian government, now divides the authority for every region of Indonesia in the care of its own household. However, after 20 years of changing, there are many cases that repeated in pre-reform era, such as corruption, collusion and nepotism. The pre-reformation corruption cases at an intermediate level such as corruption in non-budgetary funds. In the other side, nowadays, the irresponsible parties take even greater resources for their own interests.

Indonesia has issued several regulations related to accountability and transparency in Act number 29 year 2014 on the government's performance accountability system followed by Act No. 17 year 2003 on state finances, Act No. 1 year 2004 on State Treasury, and Act Number 15 year 2004 on Audit of State Financial Management and Accountability along with other supporting regulations.

Setyoawati, et al (2016) added the need for accountability principles to realize the aspirations of the people in achieving the national goals. With the high accountability and transparency of an organization / entity it can be conclude that the entity has a high sense of responsibility towards stockholder. Usually, the government given the mandate in conducting the state should have high accountability and transparency in order to present information and responsible to what has been endeavored by the government to the wide society.

Islam teaches its ummah to be responsible in every mandate that they receive. Responsibility is also one of the exemplary attributes of the Prophet. In line with this, Allah says in QS Al - ahzab verses 72 – 73 with the meaning:

“Indeed, we offered the Trust to the heavens and the earth and the mountains, and they declined to bear it and feared it; but man [undertook to] bear it. Indeed, he was unjust and ignorant. (72) [It was] so that Allah may punish the hypocrite men and hypocrite women and the men and women who associate others with Him and that Allah may accept repentance from the believing men and believing women. And ever is Allah Forgiving and Merciful. (73)”

In addition to responsibility or accountability, the importance of transparency has been mentioned in the Qur'an. Transparency is the right of all layers of society to know about what the government has done. It can be seen in QS An - nisa verse 58 on the following meaning:

“Indeed, Allah commands you to render trusts to whom they are due and when you judge between people to judge with justice. Excellent is that which Allah instructs you. Indeed, Allah is ever Hearing and Seeing.”

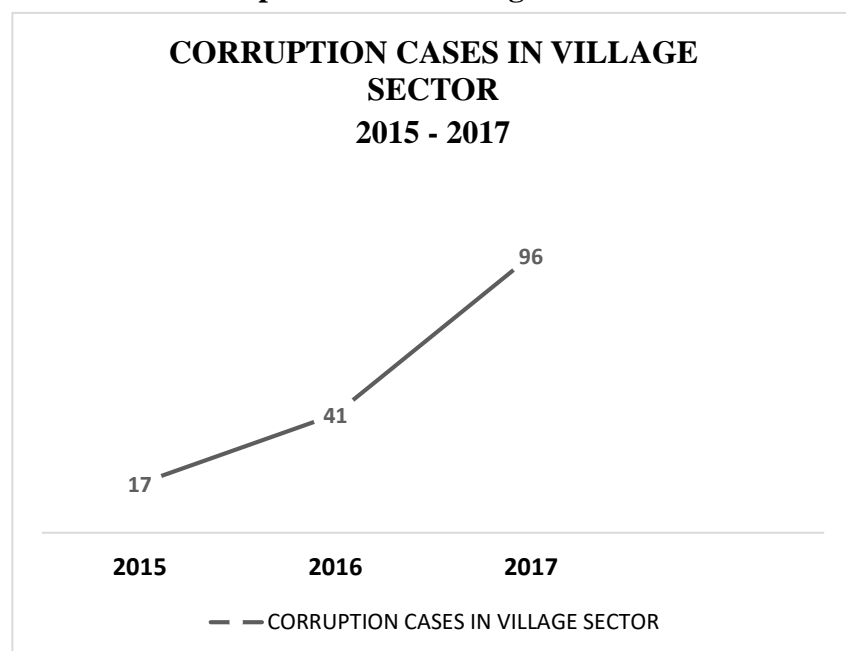
To improve public services, strengthening the economy and overcoming the national development gap, the government has issued the act number 6 year 2014 on village governance. In the regulation it stated that customary villages are the unity of the legal community which have the boundaries of the regions authorized to regulate and administer government affairs, the interests of local communities based on community initiatives, the right of origin, and / or traditional rights recognized and respected within the system of government of the Indonesia. Village Government is the implementation of government affairs and the interests of local communities in the system of government of Indonesia.

Village government demands system in reducing and even eliminating village dependency to local government. With this regulation, village government can take care of its own household. The regulation has also been mentioned about various sources of funds that can be gained by villages to improve the welfare of rural communities. However, it is undeniable that there are still many people within the village administration

who take this opportunity for their own sake and end up in court. Reported by berdesa.com there are more than 900 heads of Village government who indicated to conduct corruption on village fund. This number will also continue to increase given the difficulty of the government in overseeing about 74,000 villages scattered throughout Indonesia. In 2018, the central government which initially wanted to raise the allocation of village funds failed to rise due to several problems. As we all know that the government's intention in promoting the development and welfare of the village is very high considering the seriousness of the government in making the regulation, the allocation of funds, until the results of the design itself. In line with this, ICW (Indonesia Corruption Watch) conducts monitoring related to corruption of this village fund.

Figure 1.1

Corruption cases in village sector

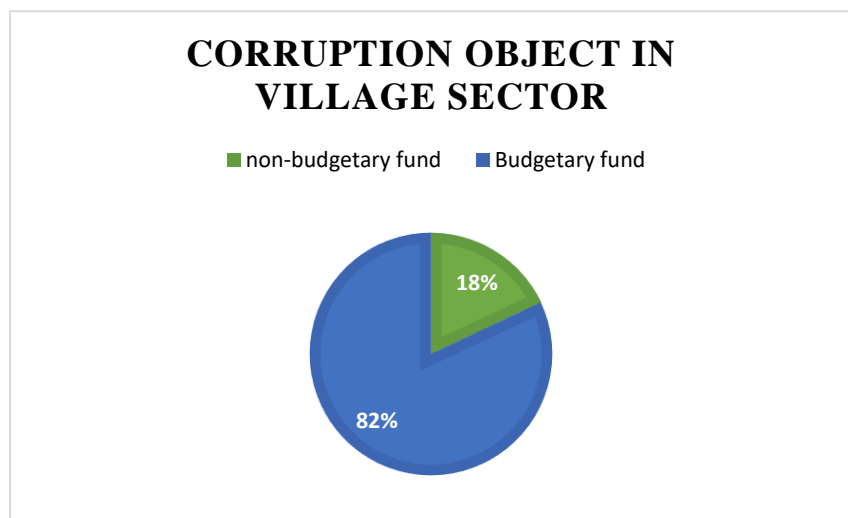


source: Indonesia Corruption Watch (2018)

We can see from figure 1.1 in 2015 there are as many as 17 cases. It does not stop there. There are 41 cases in 2016 and corruption cases are increasing rapidly in 2017. The total of all cases found during the last 3 years amounted to 154 cases.

In terms of objects, not all cases in graphic 1.1 are the corruptions of village budget. The number of village budget corruption cases reached 127 cases while non-budget villages reached 27 cases or about 18% as shown in the following figure:

Figure 1.2
Corruption object in village sector



Source: Indonesia Corruption Watch (2018)

Reflecting on the number of corruption cases that are still committed even in the smallest unit of government, financial statement can be a tool that can minimize such cheats. Village government should improve the quality of their financial statements. In the act No. 6 of Article 26, it has

been explained that implementing the principles of village governance are accountable, transparent, professional, effective and efficient, clean, and free from collusion, corruption, and nepotism. Furthermore, if the quality of financial statements is higher, then the government can easily do accountability to the community. The government also will not hide anything from the public if the financial statements are prepared properly and correctly. In addition, several aspects that must also be considered to be an influence in a quality financial statement covers the competence of human resources, compliance with the regulation, and the use of information technology.

Based on Central Bureau Statistics, Bantaeng is located in the southern part of South Sulawesi province. This regency has an area of 395,83 km² or 39,583 Ha which specified based on Wetland reach 7,253 Ha (18,32%) and Dry Land reach 32,330 Ha. Administratively Bantaeng Regency consists of 8 districts which are divided into 21 urban villages and 46 villages. The population reached 170,057 inhabitants. Recently, Bantaeng city attracts the attention of central government with their achievement in any field, such as economy, industry, and agriculture in recent 10 years. Based on the Central Bureau Statistics, in economic growth especially, Bantaeng reaches 8,1% and makes it in 6th out of 24 regencies in South of Sulawesi. In line with the issuance of the constitution no. 6 year 2014 about village governmental, this becomes the new challenge in the middle of the "golden age" of Bantaeng regency, whether this regency can

survive well and still give the best service to the society. In the other side, the government also should think about how they manage so that the central government program can run well.

From the description above, the researcher took the research with the title:

"The Influence of Accountability, Transparency, Human Resource Competence, Regulation Compliance, and the Use of Information Technology Towards Financial Statements Quality in Village Government"

This study is a compilation from previous research. Research on the quality of financial statements has been done by some previous researchers. Setyowati, et al (2016) examined the factors affecting the quality of financial statements in the local government, at the time the research was done in SKPD Semarang. Khilmiyah (2015) examined the presentation of village government finances in village government of Ampeldento district Malang regency. For accountability and transparency, one researcher who has been researched for village administration was Hanifah and Praptoyo (2015) on accountability and transparency of APBDes in Kepatihan Village Menganti Sub-district, Gresik Regency. In addition, Fatimah et al (2014) examined about the regulation compliance towards unqualified opinion to local government financial statements throughout Indonesia.

If previous research has examined the quality of financial statements in local government, this study examines the quality of financial statements in village government. As the smallest unit of government, the village is the closest government to the community so the need for financial statements as evidence can be shown to the public. Furthermore, differences in scope between local government and village government make this study more different than previous research. Research on the quality of village financial statements is also a study that has rarely been researched before. By conducting research in previously undeveloped districts and now grown rapidly, it even can be said to be a district that greatly facilitates the development of the village. We can see whether the development of the district is in line with the services provided by the government and the competence of the government in the village administration.

B. Limitations of Problems

This research was conducted in 7 districts, Bantaeng Regency, South Sulawesi by taking samples according to the total village in the district. The more some districts have many villages, the more villages will be taken as a sample. The variables used are accountability, transparency, resource competence, regulation compliance, and the use of information technology as independent variables and quality of village government financial statements as the dependent variable.

C. Research Problems

Based on the background that has been described, then the research problems in this study are:

1. Is there any effect of accountability on the quality of village government financial statements?
2. Is there any effect of transparency on the quality of village government financial statements?
3. Is there any influence of human resources on the quality of village government financial statements?
4. Is there any influence of regulation compliance on the quality of village government financial statements?
5. Is there any influence of the use of information technology on the quality of village government financial statements?

D. Research Objectives

1. To test the influence of accountability on the quality of village government financial statements.
2. To test the influence of transparency on the quality of village government financial statements.
3. To test the influence of human resources on the quality of village government financial statements.
4. To test the influence of regulation compliance on the quality of village government financial statements

5. To test the influence of the use of information technology on the quality of village government financial statements

E. Research Benefits

1. Theoretical benefit

This study is expected to provide an explanation of the extent to which the quality of financial statements is measured and can be a reference for further research.

2. Practical benefits

- a. For writer

It is expected to provide knowledge about the influence of accountability, transparency and competence of human resources on the quality of village government financial statements

- b. For the government

With this research, it is expected that the village government can make this research as a reference and benchmark about what affecting the quality of financial statement in village government.

- c. For the public

It is expected that villagers can provide information to the public and provide awareness about the importance of financial statements as a form of government accountability that must be communicated to the public