

CHAPTER I INTRODUCTION

A. Background

Local government is the organizer of government affairs by the Regional Government and Regional Representatives, according to the principle of autonomy and co-administration with the broadest principle of autonomy in the system and principles of the Unitary State of the Republic of Indonesia as referred to in the Republic of Indonesia Constitution in 1945. Since 2000, regional autonomy has been implemented in Indonesia with the enactment of Law No. 22 of 1999 concerning Regional Government and Law No. 25 of 1999 concerning Financial Balance between the Central Government and Regional Governments. An autonomous region, hereinafter referred to as a region, is a legal community unit that has regional boundaries which are authorized to regulate and manage government affairs and the interests of the local community according to their own initiatives based on the aspirations of the people in the Unitary State of the Republic of Indonesia.

Regional Device Organization is a device of the Regional Government (Province and Regency/City) in Indonesia. A regional device organization is an executive function who must coordinate so that the administration of the government runs well. The legal basis, applicable since 2004 for the establishment of the regional device organization, is article 120 of Law No. 32 of 2004 concerning the regional government.

The governor and his representative, the regent and his representative, or the mayor and his representative are not included in this unit, because they are the Regional Heads. Included in the regional device organization are the Regional Secretariat, Expert Staff, Regional House of Representatives Secretariat, Service Offices, Agencies, Regional Inspectorates, other regional institutions that are directly responsible to the Regional Heads, Districts or other units of the same level, and sub-district/village or other units of the same level.

In government performance, financial statements are very important to obtain information about the financial position and to find out the results that have been achieved by the government during the fiscal year concerned. In financial management, the government carried out the reformations by issuing Law No. 17 of 2003 concerning state finances which indicated the form and content of the accountability report on the implementation of the State Budget or Regional Budget. The government also issued a Law number 32 of 2004 concerning Regional Government. Under the law, the government issued Government Regulation No. 71 of 2010 concerning Government Accounting Standards. Based on government regulations, the regional government is given the authority to carry out its own financial management.

Based on Government Regulation Number 71 of 2010, the concept of an entity can be classified into two, namely, the accounting entity is a unit of government that manages budget, wealth, and which regulates accounting and prepares financial statement on the basis of accounting, while the reporting

entity is a government unit consists of one or more accounting entities in accordance with laws and regulations that must be filled with accountability reports, consisting of financial statements relating to the public. From the explanations, it can be concluded that between accounting entities and reporting entities has related each other.

Regional financial management is financial management carried out by the provincial, regency and city governments which includes several stages, namely: planning, implementing, administering, reporting, obeying, and overseeing regional finance. Based on the Government Regulation of the Republic of Indonesia number 8 of 2006 concerning Financial Reporting and Performance of Government Agencies article 10 paragraph 1, Head of Regional Device Organization as budget users prepare Financial Reports as referred to in article 5 paragraph 2, Financial Statements of State Ministries/Institutions/Regional device organization at least consists of Budget Realization Report, Statement of financial position and Notes to Financial Statements.

In order to achieve government goals, regional finance must be managed properly, which is based on general principles which include: (1) regional finance which is managed in an orderly manner, complies with laws and regulations, which is efficient, economical, effective, transparent and responsible by paying attention to the principles of justice, propriety, and benefits for the community, and (2) regional financial management which is

carried out in an integrated system that is realized in the regional budget which is stipulated annually by regional regulations.

If the information contained in the financial statements of regional governments meets the criteria for the qualitative characteristics of regional government financial statements, as indicated in the Law No. 71 of 2010, it means that regional governments are able to realize transparency and accountability in managing regional finances. The information contained in the regional financial statements must be in accordance with the value criteria of information that is required by law. If it is not in accordance with the law, it will result in regional losses.

The fact that occurred in the main field of the results of the examination of the financial statements of the Bantul Regency government in the 2017 fiscal year, the Audit Board of Indonesia found a weakness in the internal control system in the preparation of financial statements, that is:

1. Internal Control System

- a. Bookkeeping of accounts in the administration of public welfare and schools managing BOS funds without regent approval;
- b. Presentation of health care security accounts for the services of the Social Insurance Administration Organization health center local community service agency noncapitation cannot be measured reliably;
- c. Presentation of inventories on the balance sheet and inventory costs in operational reports are inadequate;

- d. The process of collecting parking taxes, general service fees, and business service fees is not sufficient;
 - e. Reporting, accountability, monitoring and ongoing evaluation of grants are not yet adequate;
 - f. Revenue, registration, and inspection of regional taxes by financial institutions and regional assets are not optimal;
 - g. Administration of the use/management of BOS funds in elementary and junior high schools in the Bantul district is not sufficient.
2. Compliance with the provisions of the legislation Audit Board of Indonesia also found that there was non-compliance with statutory provisions in the management of regional government finances, namely:
- a. Errors in budgeting for goods and services and capital expenditure;
 - b. Excess payments for work worth IDR 900.525.256,58 and
 - c. Overpayments for the construction of the Bantul cultural service worth IDR 23.658.769,83 and the market rehabilitation capital expenditure work was almost as much as IDR 11.403.039,58.

Source:<https://bkad.bantulkab.go.id/filestorage/berkas/2018/07/OPini%202017.pdf>

This situation shows that the quality of regional device organization financial statements is still not optimal, even though the requirements of a regional device organization are said to be Unqualified Opinion.

If the presentation of financial statements must be in accordance with government accounting standards, information contained in financial

statements must be adequate so that report readers can understand the contents and compliance with applicable laws. Verses in the Qur'an have explained:

إِنَّ اللَّهَ يَأْمُرُ بِالْعَدْلِ وَالْإِحْسَانِ وَإِيتَاءِ ذِي الْقُرْبَىٰ وَيَنْهَىٰ عَنِ الْفَحْشَاءِ وَالْمُنْكَرِ وَالْبَغْيِ يَعِظُكُم لَعَلَّكُمْ تَذَكَّرُونَ

"Indeed, Allah orders justice and good conduct and giving to relatives and forbids immorality and bad conduct and oppression. He admonishes you that perhaps you will be reminded." (*Quran verse An-Nahl, 16: 90*)

Based on the verse above, Allah SWT commands to do justice and goodness. This verse is related to the task of the regional device organization as an institution. That has an obligation to prepare financial statements as a form of accountability to the public. The regional device organization has an obligation to create a good quality of financial statement, because to be fair and true is very important for an employee to carry out his duties so that the objectives of the agency can be achieved properly.

One of which is to prepare the government financial statement that is optimal and in accordance with the standards, that have been determined this is done in order to provide financial information to the parties who have an interest in the report as the basis for economic, social and political decision making.

This research is a replication research from Elvin Andrianto (2017) entitled "Pengaruh Kapasitas Sumber Daya Manusia, Pemanfaatan Teknologi Informasi, dan Sistem Pengendalian Intern Pemerintahan Terhadap Kualitas

Laporan Keuangan Pemerintah Daerah Dengan Komitmen Organisasi Sebagai Variabel Moderasi (studi empiris pada satuan kerja perangkat daerah di kabupaten sleman)”. The factors in Andrianto's research are the effect of capacity of human resources, utilization of information technology, internal control systems, and organizational commitment as moderating variables. The difference in this research with previous research is that, in this study, the factors that influence are the compensation of human resources, utilization of information technology, regional financial accounting systems, and organizational commitment as moderating variables. It can be seen that there was a change in the independent variable in the previous study, the Internal Control System was changed to the Regional Financial Accounting Standards.

In another word financial statement in regional device organization of Bantul regency is not optimal. So the researcher adds another variable which is Regional Financial Accounting System, because it can help the regional device organization to provide and produce the financial information that is complete, accurate, reliable, relevant, and accountable. So it can be used by various external parties, therefore Regional Financial Accounting System is factors that affect the quality of financial statement information. There were also differences in the research location, namely the previous local government in Sleman Regency, in this study local government in Bantul Regency.

B. Research Questions

Based on the background, the research questions can be formulated as:

1. Does the human resources competency have a significant positive effect on the quality of the financial statement information of the regional device organization of Bantul regency?
2. Does the utilization of information technology have a significant positive effect on the quality of the financial statements of the regional device organization of Bantul regency?
3. Does the understanding of the regional financial accounting system have a significant positive effect on the quality of the financial statements of the regional device organization of Bantul regency?
4. Does the organizational commitment moderate the relationship between human resources competency towards the quality of the financial statement information of the regional device organization of Bantul regency?
5. Does the organizational commitment moderate the relationship between utilization of information technology towards the quality of the financial statement information of the regional device organization of Bantul regency?
6. Does the organizational commitment moderate the relationship between an understanding of the regional financial accounting system towards the quality of the financial statements of a regional device organization of Bantul regency?

C. Research Objectives

Based on the description of the problem above, this study has several objectives, namely as follows:

1. To obtain empirical evidence of the influence of competencies of Human Resources on the quality of regional device organization financial statement information;
2. To obtain empirical evidence of the influence of the use of Information Technology on the quality of regional device organization financial statement information;
3. To obtain empirical evidence of the influence of the application of the Regional Financial Accounting System on the quality of regional device organization financial statement information;
4. To obtain empirical evidence of the influence of organizational commitment on human resource competencies with the quality of regional device organization financial statement;
5. To obtain empirical evidence of the influence of organizational commitment on the use of information technology with the quality of regional device organization financial statement;
6. To obtain empirical evidence of the influence of organizational commitment on regional financial accounting systems with the quality of regional device organization financial statement.

D. Research Function

Every study is expected to be useful for all parties who read it. The benefits of this research are:

1. Theoretically

The results of this study are expected to be able to develop existing theories, accounting literature and strengthen previous research related to the quality of information on financial reports of regional device organization.

2. Practically

The results of this study are expected to contribute to the government as a material consideration and evaluation in solving problems that aim to improve performance and produce quality financial reports.