The Effect Of Competence, Application Of SAP, And The Role Of Internal Audit On The Quality Of Financial Reports Of Local Governments (Empire Study On The Government Of North Toraja)

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ABSTRACT: Many local government financial reports have not been prepared in accordance with established standards and have not met the specified completeness and lack of evidence of transactions that can be found. The low quality of financial reports can be caused by an understanding of accounting from the preparation of the report itself or has not implemented an optimal regional financial accounting system and or the role of internal auditors is still weak. An empirical study on the government of North Toraja Regency. The approach used in this research is a quantitative approach. The samples used in this study were 3 offices in North Toraja Regency, totaling 40. This research was conducted directly in the field (field study) using questionnaires, interviews and observation methods. This study uses the Ordinary Least Square (OLS) estimation method. The results of this study indicate that competence, application of SAP, and the role of internal audit have a positive and significant influence on the quality of local government financial reports and simultaneously have a positive and significant relationship.

KEYWORDS: Competence, Implementation of government accounting standards, Role of Internal Audit and Quality of Financial Reports

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I. Introduction:-

The government's efforts to find out whether the LKPD presented have been properly disclosed and of good quality, annually by the Supreme Audit Agency of the Republic of Indonesia (BPK RI). BPK then issues an opinion which is the result of an assessment of the quality of the LKPD. There are 4 (four) opinions given, namely Unqualified (WTP), Unqualified (WDP), Unreasonable, and Unqualified Opinion (TMP). The highest opinion which indicates that the financial statements have been prepared fairly and with quality is the WTP opinion. WTP's opinion on financial statements can raise a high level of confidence to trust LKPD information.

In recent years, North Toraja Regency has again received the title of WTP opinion from the BPK RI representatives of South Sulawesi (see Rakyatku News, 2019). The opinion of the WTP obtained by the local government of North Toraja Regency consistently for four (4) years in a row is an interesting phenomenon to be studied. Several previous studies such as (Ratmono, 2019; Tambingon et al., 2018; Anggrirwana and Yudianto, 2018; Sudiarjianti, 2015) reveal that the factors that affect the quality of LKPD include competence, SAP implementation, and the role of internal audit.

One of the factors that affect the quality of LKPD is the competence of human resources. According to Ratmono (2019), competence is a characteristic of someone who has the skills, knowledge and ability to carry out a job.

Competent resources are able to understand the existing accounting logic, and can be more efficient and effective in preparing financial reports. Competent human resources are needed to carry out good management, have experience in the financial sector and often attend education and training. According to Ratmono (2019), the lack of competence in human resources affects the relevance of the financial statements produced.

The application of government accounting standards (SAP) through the internal control system is a...
factor that plays an important role in the presentation of financial statements. The reason is that the internal control system is able to provide accounting information to users about the financial position, results of operations, and the information is clear, consistent and reliable. The internal control system is the basis for the government in compiling and presenting financial reports in order to improve the quality of financial reports (see Government Regulation Number 71 of 2010 concerning Government Accounting Standards).

In addition, the quality of financial reports is also determined by the role of internal audit. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations. The role of internal audit assists the organization in achieving its goals by applying a systematic and disciplined approach to evaluate and improve the effectiveness of the adequacy risk management process and organizational management (Tambingon et al., 2018).

The phenomenon of the quality of financial reports is very interesting to study further, because in fact in the financial statements of local governments there are still many data that are not appropriate and do not follow generally accepted accounting principles. Many local government financial reports have not been prepared in accordance with established standards and have not met the specified completeness and lack of evidence of transactions that can be found. The low quality of financial reports can be caused by an understanding of accounting from the preparation of the report itself or has not implemented an optimal regional financial accounting system and or the role of internal auditors is still weak. This phenomenon is supported by research conducted by Yusniar et. al. (2016), the government accounting system is less able to provide sufficient contribution in improving the quality of financial reports, so it has not reached the maximum level expected. This condition is less than optimal which results in the need for further improvements in accordance with what is expected.

This phenomenon is also supported by research journals conducted by Lasmara and Rahayu (2016), which state that the existence of the role of internal auditors is one of the key success factors for local governments because they are the front line in the implementation of supervisory activities and as early detection in case of deviations, the quality internal auditors need to be improved. Human resources are one of the important factors in creating good quality financial reports, if human resources have good competence in preparing financial reports, the quality of these financial reports can also be said to be not good. In a study conducted by Sagara (2015), the competence of human resources is the main cause of poor quality of financial reporting, so it is necessary to increase the competence of human resources in order to improve the quality of regional financial reporting for the better.

Based on the foregoing, this study will analyze the Influence of Competence, SAP Implementation, and the Role of Internal Audit on Report Quality.

II. Literature Review:

Agency Theory

Agency theory is a concept that explains the contractual relationship between principals and agents. The principals are parties who give mandates to other parties, namely agents, to carry out all activities on behalf of the principals in their capacity as decision makers (Jensen and Smith, 1984).

The purpose of agency theory is first, to increase the ability of individuals (both principals and agents) to evaluate the environment in which decisions must be made (The belief revision role). Second, to evaluate the results of the decisions that have been taken in order to facilitate the allocation of results between the principal and the agent in accordance with the work contract (The performance evaluation role). Broadly speaking, agency theory is grouped into two (Eisenhardt, 1989), namely positive agency research and principal agent research. Positive agent research focuses on identifying situations where agents and principals have conflicting goals and limited control mechanisms only maintain the behavior of self-serving agents. Exclusively, this group only pays attention to the conflict of objectives between the owner (stockholder) and the manager. Meanwhile, principal agent research focuses on the optimal contract between behavior and results, in general the emphasis is on the relationship between principal and agent. Principal-agent research reveals that the agent-principal relationship can be applied more broadly, for example to describe the relationship between workers and employers, lawyers and their clients, auditors and auditees. Agency theory cannot be separated from the two parties above, both the principal and the agent are the main actors and both have their respective bargaining positions in placing their positions, roles and positions. The principal as the owner of capital has access to the company's internal information while the agent as the actor in the company's operational practice has real and comprehensive information about the company's operations and performance. The different and contradictory positions, functions, situations, goals, interests and backgrounds of the principals and agents will create conflicts with conflicts of interest and influence between them.

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Institutional Theory

Scot in Hessels and Terjesen (2008) states that institutions are social structures that have achieved the highest resilience and consist of cognitive, normative, and regulatory cultures that are full of change. These elements together influence activities and resources to provide stability and meaning to social life. In an effort to provide this stability, an institution needs to pay attention to elements such as rules, norms, cultural benefits, roles and material resources. This is what can form organizational commitment in providing stability through existing policies and programs.

Institutional theory describes the relationship between an organization and its environment; about how and why the organization operates a structure and process and what are the consequences of the institutional process that is carried out (Meyer and Rowan, 1977). Scott (2008) in Villadsen (2011) states that this theory can be used to explain the role and decision making in organizations that organizational structures, processes and roles are often influenced by beliefs and rules adopted by the organizational environment. For example, an organization that is oriented towards public services, in making decisions, of course, is influenced by the beliefs and rules that apply to the central government, local government and the community. Thus, it can be explained that the organization as the party implementing the policy must have a strong commitment in carrying out its duties so that the ultimate goal of a policy can be achieved.

Competence

Azhar (2010) defines human resources as the main supporting pillar as well as the driving force of the organization in an effort to realize the vision and mission as well as the goals of the organization. Human resources are one of the most important organizational elements, therefore it must be ensured that the management of human resources is carried out as well as possible in order to be able to contribute optimally in efforts to achieve organizational goals. In managing regional finances, local governments must have competent human resources, who are supported by an accounting education background, often attend education and training, and have experience in finance.

SAP Deployment

Government Accounting Standards are accounting principles applied in preparing and presenting government financial statements. Thus, SAP is a requirement and basis that has legal force in an effort to improve the quality of government financial reporting in Indonesia.

One of the concrete efforts to realize transparency and accountability in the management of state finances is the submission of government financial accountability reports. The report must comply with the principle of being on time and be prepared in accordance with generally accepted government accounting standards.

According to Sinaga (2005), "Government Accounting Standards (SAP) is a guideline to unite perceptions between compilers, users, and auditors". Therefore, government financial reports which are the result of an accounting process guided by SAP are expected to be used as a communication tool between the government and stakeholders so as to create transparent and accountable state financial management.

Regional Financial Report

Government Regulation No. 71 of 2010 describes the qualitative characteristics of financial statements are normative measures that need to be realized in accounting information so that it can fulfill its objectives. There are four elements that are normative prerequisites needed so that government financial reports can meet the desired quality: relevant, reliable, comparable, and understandable.

Financial Statements

Financial report is a record of financial information of a company/business entity/government agency in an accounting period, which can be used to describe its financial performance. These financial statements are part of the financial reporting process. Financial reporting includes aspects related to the provision and delivery of financial information. These aspects include the institutions involved (e.g., standard setting, government regulatory bodies, and reporting entities), applicable regulations including GAAP (Generally Accepted Accounting Principles), (Wikipedia, 2018).

According to SAP Number 71 of 2010 in PSAP 01 regarding the presentation of financial statements paragraph 9 that, "Financial statements are structured reports regarding the financial position and transactions carried out by a reporting entity".

III. Research Methods:

This study aims to analyze and explain how the influence of competence, application of SAP, and the role of internal audit on the quality of local government financial reports, empirical studies on the government of North Toraja Regency, the approach used in this research is a quantitative approach. The samples used in this study were 3 offices in North Toraja Regency, totaling 40. This research was conducted directly in the field (field study) using questionnaires, interviews and observation methods. This research is planned to be conducted from April to June 2022, and the research location is in the working area of the North Toraja Regency Government, South Sulawesi Province. This study uses the Ordinary Least Square (OLS) estimation method. The variables used in this study are competence, application of SAP, the role of internal audit as an independent variable and the quality of financial reports as the dependent variable.

IV. Results:

Description of Research Results

Partial Testing (t-test)

To test the variable partially or individually the independent variable (X) against the dependent variable (Y) can be used t test. This can be seen in the results of the analysis of SPSS version 25 data processing as set out in the following table:

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std.Error</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence</td>
<td>.174</td>
<td>.586</td>
<td></td>
<td></td>
<td>.297</td>
<td>.768</td>
<td></td>
</tr>
<tr>
<td>SAP Deployment</td>
<td>.261</td>
<td>.115</td>
<td></td>
<td></td>
<td>.259</td>
<td>.030</td>
<td></td>
</tr>
<tr>
<td>Internal Audit Role</td>
<td>.370</td>
<td>.157</td>
<td></td>
<td></td>
<td>.364</td>
<td>.024</td>
<td></td>
</tr>
</tbody>
</table>

Table 1 t test results

From the description of the t test using the SPSS version 25 data analysis program, it is known that the five independent/independent variables (X) have a positive and significant effect on the quality of the financial statements of the North Toraja Regency Government with a summary as follows:

- Competence variable (X1) with tcount 2.259 > t table 2.024.
- SAP implementation variable (X2) with tcount 2.364 > t table 2.024.
- Internal audit role variable (X3) with tcount 3.435 > t table 2.024.

Simultaneous Testing (F-Test)

The F test serves to test the competency variables, SAP implementation, and the role of internal audit, whether the three variables studied simultaneously affect the quality of the financial statements of the North Toraja Regency Government. The analysis was carried out using the SPSS version 25 data processing program which can be described in Table 2. following:

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3,268</td>
<td>3</td>
<td>.1089</td>
<td>17.758</td>
<td>.000*</td>
</tr>
<tr>
<td>I</td>
<td>2.208</td>
<td>36</td>
<td>.061</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5,476</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the description of the F test using the SPSS version 25 data analysis program, it is known that the independent variable (X) which includes competence, SAP implementation, and the role of internal audit simultaneously affects the quality of the financial statements of the North Toraja Regency Government, because the test shows that the results of the analysis are significant with a significance level of 0.000*

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Fcount = 17.758 greater than Ftable = 2.866 or it can be said that Ho is rejected and Ha is accepted.

**Dominant Testing (Beta Test)**

Beta test is to test the independent/independent variables (X) which have the most dominant influence on the dependent/independent variable (Y) by showing the variable which has the highest standardized beta coefficient. Based on the results of data processing using SPSS 25, it can be seen in the following table:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competence</td>
<td>1.74</td>
<td>5.86</td>
<td>2.97</td>
<td>.068</td>
<td></td>
</tr>
<tr>
<td>SAP Deployment</td>
<td>2.61</td>
<td>1.15</td>
<td>2.259</td>
<td>.024</td>
<td></td>
</tr>
<tr>
<td>Internal Audit Role</td>
<td>3.37</td>
<td>1.57</td>
<td>3.435</td>
<td>.002</td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data processed, 2022

From the table above, it can be seen that the results of the standardized coefficients (Beta) of the three variables, namely competence of 0.284 (28.4%), SAP application of 0.315 (31.5%), and the role of internal audit are 0.399 (30.9%), then the one that has the greatest influence on the quality of the financial statements of the North Toraja Regency Government is the internal audit role variable (X3) of 0.399 or 39.9%.

This study also found the magnitude of the influence of the independent variable on the dependent variable which can be seen from the value of the coefficient of determination (Adjusted R square) and can be seen in the following table:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std.Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.772</td>
<td>.597</td>
<td>.563</td>
<td>.2477</td>
<td>1.402</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Internal Audit Role, Competence, SAP Implementation

The value of the coefficient of determination (Adjusted R square) is 0.563 (56.3%) which means that the independent/independent variable (X) which includes the quality of the financial statements of the North Toraja Regency Government contributes to the variation in the quality of the North Toraja Regency’s financial reports by 56.3%, while the remaining 43.7% is influenced by other variables not included in this study.

V. Discussion:

The Effect of Competence on the Quality of Financial Reports

Through hypothesis testing, it is shown that the value of t (2.259) is greater than the value of t (2.024), which means that the competency variable has a positive and significant influence on the quality of the financial statements of the North Toraja Regency Government, thus the first hypothesis is accepted. This means that improving competence will improve the quality of the financial statements of the North Toraja Regency Government, and vice versa, a decrease in competence will reduce the quality of the North Toraja Regency Government’s financial reports.

The results of respondents' responses to competency indicators show an overall average value of 4.3. This means that the indicators of the competence variable, namely 1) knowledge, 2) expertise, and 3) behavior get good responses from respondents.

The results of this study are in line with research from Lusi Novita Sari (2014), Arsyiati, Darwanis and Muslim A. Djalil (2008), Hardyaansyah and Ansyari Khalid (2016), Yusniar et. al. (2016), Lasmara and Rahayu (2016), Sagara (2015), Ratmono (2019), Anggriawan and Yudianto (2018), and Sudiarianti (2015) where their research results show that human resource competence has a positive and significant impact on the quality of financial statements.

However, the results of this study contradict research by AkhmadSyarifudin (2014) which shows that...
human resource competence has no significant effect on the quality of LKPD.

The Effect of SAP Implementation on the Quality of Financial Reports

Through hypothesis testing, it is shown that tcount is 2.364 greater than t table is 2.024, which means that the SAP implementation variable has a positive and significant impact on the quality of the financial statements of the North Toraja Regency Government, thus the second hypothesis is accepted. This means that improving the implementation of SAP will improve the quality of the financial statements of the North Toraja Regency Government, and vice versa, a decrease in the application of SAP will reduce the quality of the North Toraja Regency Government's financial reports.

The results of respondents' responses to the indicators of SAP implementation show an overall average value of 4.4. This means that the indicators of the SAP implementation variable, namely 1) understanding of the presentation of financial statements, understanding of components in financial statements, 2) understanding of recognizing elements of financial statements, 3) understanding of measuring financial statement elements, 4) understanding of error correction, 5) change in accounting policy for extraordinary events, and 6) understanding of the consolidated financial statements, received a good response from the respondents.

The results of this study are in line with research from Anggorawan and Yudianto (2018), Sudiarianti (2015) where their research results show that the application of SAP has a positive and significant effect on the quality of financial reports. However, the results of this study contradict the research of Yusniar et al. (2016), where it is shown that the government accounting system is less able to provide sufficient contribution in improving the quality of financial reports, so it has not reached the maximum level expected. This condition is less than optimal which results in the need for further improvements in accordance with what is expected.

The Influence of the Role of Internal Audit on the Quality of Financial Reports

Through hypothesis testing, it is shown that the tcount is 3.435 is greater than the t-table of 2.024, which means that the internal audit role variable has a positive and significant influence on the quality of the financial statements of the North Toraja Regency Government, thus the hypothesis is accepted. This means that an increase in the role of internal audit will improve the quality of the financial statements of the North Toraja Regency Government, and vice versa, a decrease in the role of internal audit will reduce the quality of the North Toraja Regency Government's financial reports.

The results of respondents' responses to the indicators of the role of internal audit showed an overall average value of 4.4. This means that the indicators of the internal audit role variable, namely 1) independent, 2) professional ability, 3) scope of work, and 4) implementation of inspection activities received good responses from respondents.

The results of this study are in line with research from Lusi Novita Sari (2014), Laslama and Rahayu (2016), Sagara (2015), Tambinong et al., (2018), where their research results show that the role of internal audit has a positive and significant impact on quality. financial statements.

However, the results of this study contradict the research of AkhmadSyarifudin (2014) where the results of his research indicate that the role of internal audit does not have a positive and significant effect on the quality of financial reports.

The Influence of Competence, SAP Implementation, and the Role of Internal Audit on the Quality of Financial Reports

Because the value of Fcount is 17.758, it means that the independent variable (X) which includes competence, SAP implementation, and the role of internal audit simultaneously affects the quality of the financial statements of the North Toraja Regency Government. it is said to be significant because the test shows that the results of Fcount = 17.758 are greater than F table = 2.866 or it can be said that Ho is rejected and Ha is accepted.

The value of the coefficient of determination (Adjusted R square) is 0.563 (56.3%) which means that the independent variable (X) which includes competence, SAP implementation, and the role of internal audit has contributed to the quality of the financial statements of the North Toraja Regency Government in the amount of 56.3%, while the remaining 43.7% is influenced by other variables not included in this study.

Likewise, the results of this study are in line with research from Anggriawan and Yudianto (2018) which analyzed the factors that affect the quality of the West Bandung Regency government's financial reports. The study used qualitative methods and data, complemented by interview techniques and reports to 17 respondents, who are heads of finance at the Regional Work Unit of West Bandung Regency. The results of this study indicate that the factors that influence the quality of the government's financial statements of West Bandung Regency include the application of government accounting standards, the quality of human resources,
VI. Conclusion:

Based on the results of the research and discussion above, it can be concluded:

1. There is a positive and significant influence of competence on the quality of the financial statements of the North Toraja Regency Government, with a tcount value of 2.259 > ttable 2.024.

2. There is a positive and significant impact on the implementation of SAP on the quality of the financial statements of the North Toraja Regency Government, with a tcount of 2.364 > ttable 2.024.

3. There is a positive and significant influence on the role of internal audit on the quality of the financial statements of the local government of North Toraja Regency, with a tcount of 3.435 > ttable 2.024.

4. The results of the F test or simultaneous testing show that the Fcount of 17.758 is greater than the F table = 2.866. The results of the analysis show that the independent/independent variables (X): competence, application of SAP, and the role of internal audit simultaneously have a positive and significant effect on the quality of the financial statements of the North Toraja Regency Government with a contribution of 56.3% while the remaining 43.7% is influenced by other variables not included in this study.

5. From the research, it was also found that among the variables of competence, application of SAP, and the role of internal audit, the role of internal audit (X3) is the most dominant factor influencing the quality of the financial statements of the North Toraja Regency Government with a contribution value of 39.9%.

BIBLIOGRAPHY


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