

## THE IMPACT OF HUMAN RESOURCES, INFORMATION TECHNOLOGY UTILIZATION AND PUBLIC ACCOUNTABILITY ON THE FINANCIAL REPORTING QUALITY

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### ABSTRACT

*This study aims to determine the impact of the role of human resources, information technology utilization public accountability on the financial reports' quality at the provincial government of Jakarta. The object of this research was carried out on 46 respondents from 13 local work units in the financial division of Jakarta Province. This study uses a quantitative approach, using primary data through a questionnaire. The data analysis method used in this study is multiple regression analysis with the help of SPSS Version 22. The results show that the information technology utilization and public accountability affects to local government financial reports quality, but the role of human resources has no effect on the quality of local government financial reports.*

*Key words: Financial Reporting Quality, Human Resources, Information Technology Utilization, Public Accountability*

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### INTRDUCTION

All organizations try to increase revenue based on correct and accurate. The more important management information systems in private sector companies and government organizations are trying to achieve the same goals and objectives. The accountant's information system as part of the management information system, is one of the most important in the unitary economic system (Abdallah, 2013). The contributing factor in producing quality financial reports is the accounting information system, where the financial report are produced from a process that is based on inputs, processes and outputs, with the development of information technology, especially for government entities that expect good governance, economic, effective and efficient, so In line with the expectations of the government, specifically local government to realize good governance by building information technology in finance or accounting in relation to financial management. We have many local governments use information technology in the form of accounting or financial software management application developed both by the government (Fachri and Rahman, 2016).

In the Summary Examination Results for Semester I 2018, the Supreme Audit Board (BPK) found 15,773 problems worth Rp. 11.55 trillion during the first semester of 2018. These problems include weaknesses in the internal control system, non-compliance with statutory provisions valued at Rp 10.06 trillion, as well as inefficient inefficiency issues, and ineffectiveness valued at Rp 1.49 trillion. The Audit Board of Indonesia Chairman Moermahadi Soerja Djanegara, explained that the problem of non-compliance resulted in losses of Rp 2.34 trillion, potential losses of Rp 1.03 trillion, and lack of revenue of Rp 6.69 trillion (The Audit Board of Indonesia, 02/10/2018). Based on the background of the problem, this research is to find out how the Use of Regional Government Financial Accounting Systems so as to create of Financial reporting quality in the local government. Financial reports quality, namely financial report that provide information that has qualitative characteristics as required in Government Regulation No. 71/2010 concerning Governmental Accounting Standards, namely relevant, reliable, comparable and understandable. Financial reports are also a form of government accountability and transparency regarding what has been done for 1 year. Financial reports quality are also reflected in the opinions given by BPK based on the level of compliance with local government financial reports.

The effects of local government financial reporting quality from the internal side is the use of information technology. The use of information technology by local governments is regulated in Government Regulation Government Regulation No. 56/ 2005 concerning Regional Financial Information Systems. If the Regional Financial Accounting System is not understood, it can interfere with the preparation of local governments to produce quality financial reporting (Mardinan, 2018; Susilatri, 2018; Muda et, al, 2017; Salehi and Torai, 2016; Kloviene, 2015; Hertati, 2015 and Imeokparia, 2013). With the use of Information Technology so as to improve the accuracy, reliability and relevance of the completeness of financial statements to a better level (Imeokparia, 2013). Based on the background description of the problem, the aim of this study is to provide empirical evidence about of local government financial reporting quality in Jakarta. The information contained in the institution government financial report must be useful and appropriate for the needs of stakeholders, free from misstatements of information that can mislead users of financial report (Hari, 2013; Nurlis, 2018).

### LITERATURE REVIEW

#### Agency theory

Agency theory is a form of relationship between the principal and the agent who creates it decisions on behalf of the principal (Schreuder, 2002). For Fama (1980), theory this is used to understand the situation in which an individual is delegate responsibility to others. According to this theory, someone who delegates the job to which he is responsible are called principals, and individuals who accept jobs are called agents (Weilbourne and Linda, 1996). As a result of delegating this responsibility, there is separation and control in the organization. The idea of separation and control within an organization was introduced by Berle and Means (1932) and later developed by Fama and Jensen (1983). According to Jensen and Meckling (1976), when management and owners are separated, possibly deviations in decision-making will occur.

### **Financial Reporting Quality**

Local government financial reports are an important component in Indonesia realizing public financial management accountability. That is increasing demand for the implementation of public accountability has implications for management in government institutions to provide information to the public, one of which is information about financial statements. The function of information in financial statements will not have benefits if the presentation and delivery of financial information is unreliable and not timely (Otniel Safkaur, 2019). The financial reporting quality containing all public sector revenues and expenditures is responsible for formulating financial and economic policies, effective coordination of the government financial operations and budget control management lead to better assessment of information sources on allocation decisions made by the government, thus increase transparency and accountability (Wisdom et al, 2017). According to Hales (2018) to understand financial reporting quality, we need broader questions about making financial report useful and that they do so in a specific way. The quality aspect of financial reporting will become interesting as the literature develops, but we need to consider the decision of the economic environment because ultimately that is the way financial statements are used. The higher the quality of financial reporting, the more significant the benefits will be obtained by investors and users of financial report (Herath and Albarqi, 2017). The dimensions of financial reporting quality by the Indonesian Governmental Accounting Standards 2010 are as follows: relevant, reliable, comparable and understandable (Mardinan et al, 2018). As it is defined in the Conceptual Framework for Financial Reporting of the Financial Accounting Standards Board and the International Accounting Standards Board, there are agreed upon elements of high-quality financial reporting. The qualitative characteristics of financial reporting quality include: relevance, faithful representation, understandability, comparability, verifiability/ reliable, and timeliness.

### **Human Resources**

Human Resources to confirm the role and the contribution of human resources to achievement organization goals. In context governance, human resources act as agents of change play an important role in the government financial reporting activities (Mardinan at al, 2018). Local government officials as mandated by Law No. 5 year 2014 Concerning the State Civil Apparatus stipulates that as a profession based on the principles: baseline; code of ethics and code of ethics; commitment, moral integrity, and responsibility in public services; competencies required in accordance with their duties; academic qualifications; guarantee of legal protection carrying out the task; and professional position. Professionalism of local government officials can be seen from personnel competence. Competency apparatus in government institutions is a vital element in decision making when employees have the knowledge, skills and attitudes required for their behavior in carrying out their duties and functions (Silviana and G. Zahara (2015).

### **Information Technology Utilization**

The use of information technology by the government and local government is regulated in Government Regulation No. 56 year 2005 concerning Local Financial Information Systems. The application of information technology is the development of technology including computers media as the main tool for processing data into useful information by processing, presenting and managing information, this replaces the role of humans by doing automation of certain tasks or processes and strengthen the role of humans in presenting information, tasks or processes (Susilatri, 2018). Information Technology Utilization has two dimensions as follows Computer Usage and Internet network (Afnany et al, 2018; Susilatri, 2018; Muda et al, 2017). Application of information and communication technology which is a technological development include a computer media. Computers are information applications and Communication based technology is used as the main tool for processing data into useful information by processing, presenting and managing information (Susilatri, 2018). Information technology utilization is the use of the computer, software, and other similar things in an optimal manner. Information technology includes computers (mainframe, mini and micro), software, databases, networks (internet, intranet), electronic commerce, and other types related to technology (Dewata, 2017).

### **Accountability**

Accountability means responsibility for resource management and policy implementation entrusted to the reporting entity in achieving the objectives set at regular intervals (Fadah at al, 2017). Accountability is needed to be able know the implementation of programs funded by state finances, the level of compliance with the provisions prevailing laws and regulations, as well as to determine the level of effectiveness, efficiency and effectiveness program (Chalam and Ng'eni, 2017). Mardiasmo (2002) accountability is a fiduciary duty (agent) to provide an account, present reported and disclose activities and activities under their responsibility to the mandate (principal) who is entitled to the question. Accountability is financial accountability, Its purpose is financial statements including revenue, storage and financial expenditures of government agencies. In the local context government, the target is local government financial reports (Dewi at al, 2019)

### **METHODOLOGY**

The research was conducted at the Provincial Government of the Special Capital Region of Jakarta. The method used in this research is quantitative method, the research is research causality. According to Sugiyono (2007) research causality is research to analyze cause and effect relations between the independent variable (*variables influence*) and dependent variable (*variables affected*). The population in this study is the DKI Jakarta Provincial Work Unit. Sampling of the respondents was done by purposive sampling. The samples in this study were all regional work units related to the preparation of financial reports at the Provincial Government of the Special Capital Region of Jakarta. The analysis technique used in this study includes analysis of the characteristics of the respondents, descriptive analysis, and hypothesis testing. Hypothesis testing is done using SPSS.

**RESULT AND DISCUSSIONS**

**Descriptive Statistic**

**Table 1 : Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
HR	46	23	35	29.39	3.095
IT	46	22	35	29.39	3.316
PA	46	28	45	37.04	4.066
Valid N (listwise)	46	33	45	37.93	3.586

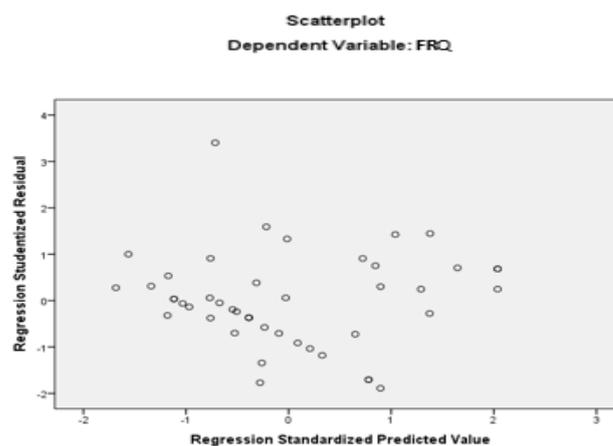
**Table 2 : One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		46
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	2.36052949
Most Extreme Differences	Absolute	.092
	Positive	.082
	Negative	-.092
Test Statistic		.092
Asymp. Sig. (2-tailed)		.200c,d

**Table 3 : Multicollinearity Test Results**

Variabel	Tolerance	VIF	Information
HR	0,481	2,078	Multicollinearity does not occur
IT	0,499	2,004	Multicollinearity does not occur
PA	0,488	2,051	Multicollinearity does not occur

**Figure 1 : Heteroscedasticity Test Results**



**Table 4 : Determination Coefficient Test (R2)**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.753a	.567	.536	2.443

**Table 5 : Simultaneous Significance Test (Test Statistic F)**

ANOVA <sup>a</sup>				
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Model	Sum of Squares	Df	Mean Square	F	Sig.
1					
Regression	328.060	3	109.353	18.317	.000b
Residual	250.744	42	5.970		
Total	578.804	45			

It can be seen in table 5 above that Fcount is 18.317 with a significance level of 0.000. Whereas Ftable with degrees of freedom  $df1 = k-1$ , then ( $df1 = 4-1 = 3$ ) and  $df2 = n-k$ , then ( $df2 = 46 - 4 = 42$ ). So that the results obtained for Ftable is 2.83.  $Fcount > Ftable$  ( $18.317 > 2.83$ ) with a significance of  $0.000 < 0.05$ . So it can be concluded that the impact of the role of human resources, information technology utilization and public accountability of the government together affect financial reporting quality of local government.

Table 6 : Statistical test results t (t-test)

		Coefficientsa				
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.707	3.837		2.791	.008
	HR	.067	.170	.057	.393	.697
	IT	.428	.155	.396	2.756	.009
	PA	.342	.128	.388	2.667	.011

## DISCUSSIONS

1. Based on the results of the t-test it can be concluded that even though the level of education is quite high and the education department is in accordance with accounting, it has no effect on the financial reporting quality of local government because the quality of financial reports can be improved with high responsibility as well as getting good training and experience and this has not been implemented well on the financial staff in the local work units of the provincial government of Jakarta and can be influenced by other indicators on human resource capacity, in addition to responsibilities, training, and experience, if human resource competence is Low, implementation of government standards that have not been effective, and implementation of local financial accounting systems that do not comply with accounting policies can lead to poor quality of local government financial report. This study supports Zuliarti's (2012) namely that human resources have no effect on financial reports. The results of this study are not in line with theory put forward by Bastian (2006) that in the presence of adequate accounting staff competence make the report possible quality finance in accordance with government accounting standards.
2. Based on the results of the t-test test, information technology utilization has a significant effect on the financial reports quality of local government in the local work units of the provincial government of Jakarta. This is because accounting information system technology can make employee work faster and more accurate. This is because information technology that is increasingly developing will greatly assist the process of preparing financial reports which is certainly more effective and efficient. The effect of the use of information technology that occurs in the local work units of Jakarta is that it has been carried out maximally on the condition of the supporting software equipment that has been used optimally to assist the preparation of local government financial reports. This research supports the research of Sagara (2015) and Abdallah (2013) which states that the Accounting Information System is an arrangement of various forms of records, equipment, including computers and closely coordinated communication equipment and apparatus, personnel officers, and reports designed for converting data into information required by financial management. (Widjajanto, 2001). One of the contributing factors the producer of high-quality financial reports is a financial accounting information system statements resulting from a process based on input, process, and good output. These three aspects must be integrated and sustainable as the foundation for a good financial reporting system.
3. Based on the results of hypothesis testing, it can be concluded that public accountability affects to financial reporting quality of Provincial government in Jakarta. The results of this study are in accordance with the research of Pamungkas (2012) and Darma (2019) which in their conclusion states that in order to show accountability for performance, financial accountability is needed which can measure and assess efforts to achieve results. A quality financial report must be able to demonstrate conformity with generally accepted financial accounting standards.

## CONCLUSION

Human resource capacity has no effect on financial reports the quality, meaning that even though it is in accordance with an accounting education background, responsibilities, training and experience are still not properly implemented. The information technology utilization has an effect on the quality of financial reports, meaning that the better the information technology utilization, the better of local government financial reports quality produced public accountability affects to financial reporting

quality, that is, the purpose of a public sector financial report is to provide information that is useful in making decisions and shows the accountability of an entity in the resource organization that is mandated by the results of this study.

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