

Conference Paper

Factors Affecting Quality of Village Financial Statement

Tri Hesti Utamingtyas Akuntansi

FE UNJ

Abstract

Based on the results of the BPK's examination, several causes of village fund financial statements were found to be unreliable and unqualified. The weakness of the Internal Control System, lack of attention to organizational culture, and failure of the village government apparatus in understanding and applying accounting logic that affect the quality of village fund financial reports. Therefore, this research was conducted to find the empirical evidence about factors that could affect the quality of village fund financial reports. The population in this study were all the heads of village financial affairs in Sumedang District, West Java, with a total sample of 161 respondents. The data in this study used primary data, and processed using multiple linear regression analysis. The results showed that the ability of the village financial apparatus in understanding the internal control system (p -value = 0.026) and organizational culture (p -value = 0.000) could affect the quality of village fund financial reports, while human resource competencies (p -value = 0.574) does not affect the quality of village fund financial reports. However, when viewed simultaneously, it is known that the Quality of the Village Fund Financial Report is influenced by the three independent variables in this study (p -value = 0.000), with the adjusted R² value of 28.6%. Therefore, further research can add other factors that can affect the quality of village fund financial reports, and use a wider sample.

Keywords: human resource competencies, internal control system, organizational culture, village fund financial reports

Corresponding Author:
 Tri Hesti Utamingtyas
 Akuntansi
 tantohesti@yahoo.com

Received: 29 January 2019
 Accepted: 27 February 2019
 Published: 24 March 2019

Publishing services provided by
 Knowledge E

© Tri Hesti Utamingtyas
 Akuntansi. This article is
 distributed under the terms of
 the [Creative Commons
 Attribution License](#), which
 permits unrestricted use and
 redistribution provided that the
 original author and source are
 credited.

Selection and Peer-review under
 the responsibility of the 3rd
 ICEEBA Conference Committee.

 OPEN ACCESS

1. Introduction

1.1. Research background

The political changes in Indonesia resulted two simultaneous political process, decentralization and democratization. Noordiawan (2007: 284) states that decentralization is the transfer of government authority by the Central Government to autonomous regions to regulate and manage government affairs in the system of the Republic of Indonesia. Mardiasmo (2002: 6-7) states, theoretically decentralization is expected to produce two tangible benefits. The first benefit is to encourage community participation, initiative and

creativity in development, as well as to encourage equitable development outcomes (justice) in all regions by utilizing the resources and potential available in the local community; and second, to improve the allocation of productive resources through shifting the role of public decision-making to the lowest level of government and having the most complete information.

UU Number 6, 2014 concerning Villages, the villages are given a great opportunity to manage their own governance and development implementation to improve the welfare and quality of life. Therefore, the village government must be able to apply about the principle of accountability in its governance. The implementation of autonomy for the village will be a force for the village government to manage, and organize its own government, while at the same time could be increasing of village responsibilities and obligations.

The village fund management system, including the mechanism of collection and accountability, refers to UU No. 33/2004 about Financial Balance between the Central Government and Regional Governments. The realization of the implementation from fiscal decentralization in the regions affect in the existence of financial balance funds between districts and villages (ADD). This was done as a concrete step for the regional government to support the implementation of regional autonomy in its territory.

Kabupaten Sumedang is one of the autonomous regions in West Java. The real manifestation of Kab. Sumedang in helping and increasing the participation of the village government is to continue to strive to increase the allocation of funds to villages that can be used to support the implementation of authority and household affairs. ADD comes from the Central Government (through APBN) and Local Government (APBD). ADD Kab. Sumedang which came from the APBN amounted to 77 billion rupiahs, and in 2016 increased to 173 billion rupiahs. Whereas ADD in Kab. Sumedang for 2015 budgeted in the APBD amounted to 3% of the central balance funds after deducting the Special Allocation Fund (DAK), was increase to 105 at 2016 from the central balance funds after deducting DAK. The provision of ADD from Kab. Sumedang Government to the Village is legally stipulated in the Kab. Sumedang Regulation Number 6 of 2012 concerning the Establishment of Regional Legal Products.

ADD that is adapted to the needs of the community is a form of decentralization in order to encourage good governance. The success of the implementation of good governance is inseparable from the influence of internal organizational factors, one of which is organizational culture. The phenomenon that occurs in Indonesia, the lack of successful implementation of good governance is due to the lack of government attention to organizational culture. If you look based on the results of the BPK examination,

it was found that some of the causes of local government financial reports we're not reliable and quality, that is, one of them was influenced by the Internal Control System (SPI) which was still weak and compliance with laws and regulations had not been fully implemented.

The financial statements in government entities, are reports that are systematically compiled about the financial position and the performance of an entity at a given period. Therefore, competent human resources are needed to produce a quality financial report. To produce high- quality regional financial reports, human resources are involved in preparing financial reports that understand and are competent in government accounting (Roviyantie, 2011). The failure of human resources or local government officials in understanding and applying accounting logic will have an impact on the financial statements made and the non-conformity of the report with the standards set by the government.

1.2. Research problem

Based on the research background above, the problems in this study are what factors could be affecting the quality of village fund financial reports?

1.3. The purpose of the research

In accordance with the research problem as mentioned above, the purpose of this study was to find out what factors could be affecting the quality of village fund financial reports.

1.4. The benefits of the research

1. Theoretical Benefits, is as study material in the development of financial administration science, especially in the management of ADD;
2. Practical benefits, is a consideration for the implementers of the regional government and the central government in increasing the accountability of ADD management.

2. Theoretical Review

2.1. Concept of accountability

LAN and BPKP RI (2000:12), said that accountability is the obligation to provide accountability and explain the performance and actions of a person/leader of an organizational unit to those who have rights or who are authorized to ask for accountability. An accountability is not abstract but concrete and must be determined by law through a very specific set of procedures regarding what problems must be accounted for. Therefore, all activities related to the management of Village Fund Allocation must be accessible to all interested parties, especially the people in the area.

Mardiasmo (2002:104) suggested that regional financial management could be divided into two parts, namely regional revenue management and regional expenditure management. Both components will determine the position of a regional government in the context of implementing regional autonomy. Another aspect of regional financial management is a change in the paradigm of financial management itself, it needs to be done to produce regional budgets that truly reflect the interests and expectations of local regional communities in the management of regional finances economically, efficiently and effectively.

The paradigm of the regional budget that is needed is (a) the regional budget must rely on the public interest; (b) Regional budgets must be managed with good results and low costs; (c) Regional budgets must be able to provide transparency and accountability rationally for the entire budget cycle; (d) Regional budgets must be managed with a performance approach for all types of expenditure and income; (e) Regional budgets must be able to foster work professionalism in every related organization; (f) Regional budgets must be able to provide flexibility for executors to maximize the management of their funds by paying attention to the principles of value for money (Mardiasmo, 2002: 106).

2.2. Village financial management principles

Principles of Village Financial Management as stated in Permendagri Number 113/2014 were transparent, accountable, participatory and carried out in an orderly and budgetary discipline, with the following descriptions:

1. Transparent is the principle of openness that allows people to know and get the widest access to information about village finance.

2. Accountable is the realization of the obligation to account for the management and control of resources and the implementation of policies entrusted in order to achieve the stated goals.
3. Participatory is the implementation of village governance which includes village institutions and elements of the village community;
4. Orderly and budgetary discipline, namely village financial management must refer to the underlying rules or guidelines.

2.3. Quality of village fund financial statement

Public sector financial statements are essentially forming of accountability for the community for the management of public funds from taxes, levies or other transactions (Masmudi, 2003). Financial reports with a very important role for the government for the public in a democratic society, by financial reports and financial reports to the public in Law No. 17/2003 concerning state finance, and PP 108/2000 concerning regional head accountability. In accordance with the Government Accounting Standards (PP No. 24/2005) PSAP Number 01 stated was the components of regional financial statements consists of: 1) Budget Realization Report; 2) Financial Position; 3) Cash Flow Statement; 4) Notes to the Financial statements.

McDaniel et., Al (2002) stated that to assess the quality of financial statements using three characteristics, there were relevance, reliability and comparability. While Ferdy van Beest, et al. (2009) stated that a comprehensive measurement tool to assess the quality of financial reporting in terms of fundamental qualitative characteristics (e.g. relevant) and improve qualitative characteristics (understandability, comparability, and verifiability) as defined in the Conceptual Framework for Financial Reporting from the FASB. Some important qualities of information contained in financial statements according to SAP (PP No. 24/2005) are understandability (reliability), relevance, reliability and comparability.

2.4. Internal control system (SPI)

Government Regulation Number 60/2008 concerning the Government Internal Control System (SPIP) explained that SPIP is an Internal Control System that is carried out thoroughly within the central government and regional governments. In this regard, the Governor/Regent/Mayor as the holder of regional financial management authority further

regulates and organizes an internal control system within the regional government that he leads.

The SPIP element in Indonesia refers to elements of the Internal Control System that have been practiced in government in various countries, including: control environment, risk assessment, control activities, information and communication, and monitoring. Agency leaders must pay serious attention to monitoring activities on internal control and the development of the organization's mission. Controls that are not monitored properly tend to have a bad influence in a certain period of time. Therefore, for monitoring activities to be more effective, all employees need to understand the organization's mission, objectives, risk tolerance level and individual responsibilities.

2.5. The competence of human resources

The competence of human resources in the context of the realization of financial statements for the local government is an important factor in the realization of financial integrity. Human resource competence is the ability of the apparatus to carry out the tasks and responsibilities given to them with sufficient education, training and experience. Competent human resources will be able to understand accounting logic well.

The ability of employees consists of the potential ability (IQ) and the reality ability (knowledge + skill). That is mean every employee who has an above-average IQ with adequate education for his office and is skilled in doing his work, then he will more easily achieve the expected performance. Therefore, employees need to be placed according to their expertise. Siswanto (2003) said that the ability of human resources includes several things, including: a) quality of work, b) Quantity of work, c) knowledge of work, d) cooperation, and e) decision-making (judgment).

Azhar (2007) states that human resources are the main supporting pillars as well as the driving force of the organization in an effort to realize the vision and mission and goals of the organization. Human resources are very important organizational elements; therefore, it must be ensured that these human resources must be managed as well as possible so as to be able to contribute optimally in efforts to achieve organizational goals.

2.6. Organizational culture

Organizational culture according to Susanto are the values that guide human resources to deal with external problems and efforts to adjust integration into the organization so that each member of the organization must understand the values that exist and as they must behave. Schein stated that the organizational culture is a pattern of basic assumptions found, created or developed by a particular group, with the intention that the organization learns to solving the problems that arise due to external adaptation and internal integration that has been running quite well, so it needs to be taught to new members as the right way to understand, think and feel about these problems. So that organizational culture can be interpreted as values and norms of behavior that are received and understood jointly by members of the organization as a basis for the provisions of behavior that exist within the organization.

2.7. Hypothesis

H1: Internal Control System affect the quality of village fund financial reports

H2: Human resource competencies affect the quality of village fund financial reports

H3: Organizational culture affect the quality of village fund financial reports

3. Methodology

3.1. Population and sample

The population in this study were all village fund financial managers in Kab. Sumedang, West Java. The number of villages in Kab. Sumedang is 270 villages, and the respondent is the Head of Village Finance Affairs. Sampling in this study with random sampling technique using the Slovin formula so that the number of samples or respondents in this study were 161 Village Finance Officers.

3.2. Data collection

The data that will be used in this study is primary data, used survey techniques using a questionnaire. The questions that were written in systematically and prepared in advance and then submitted to the respondent, and finally returned to the researcher.

3.3. Research variable

The dependent variable used in this study is the quality of the village fund financial report (Y). While the independent variable (X) proposed in this study consists of 3 (three) variables, namely internal control system (X1), human resource competence (X2), and organizational culture (X3).

The questionnaire for each variable in this study were measured using a Likert scale. Answers from respondents were scored using 5 (five) points on the Likert scale, namely: score 1 = strongly disagree, 2 = disagree, 3 = doubt, 4 = agree, 5 = strongly agree.

The internal control system (X1) is an integral process for actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, and compliance to legislation. This variable is measured using environmental control indicators, risk assessment, control activities, information and communication, and monitoring

The human resource competence (X2) in this study is the ability of the apparatus to carry out the tasks and responsibilities given to them, both through education and training and sufficient experience. This variable is measured by an indicator: quality of work, quantity of work, knowledge of work, cooperation, and decision-making.

Organizational cultural (X3) are values and norms of behavior that are accepted and understood jointly by members of the organization as a basis for the provisions of behavior that exist within the organization. The indicators used to measure organizational culture are Innovation and Risk Talking, Attention to Details, Outcome Orientation, People Orientation, Team Orientation, Aggressiveness, and Stability.

The quality of village fund financial reports (Y) in this study is a form of government accountability to the people for managing public funds from taxes, retribution or other transactions. The quality of financial statements is measured based on the characteristics of financial statements, namely relevant, understandability, comparability, and reliability.

3.4. Data analysis model

The data analysis model used in this study is Multiple Linear Regression are as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e.$$

4. Discussion

4.1. Description of the data

The distribution of questionnaires was carried out by visiting the village office directly. Of the 161 copies of questionnaires distributed by the researchers, only 134 copies of the questionnaire were returned (83.21%). After processing the returned questionnaire, it was found that the questionnaire was complete and could only be used as many as 113 copies (70.19%).

When viewed from the characteristics of respondents based on gender, it is known that the number of male respondents (58.41%) is greater than the number of female respondents (41.59). Whereas when viewed based on the age characteristics of respondents, it can be seen that most of the respondents age ranges from 31-40 years (37.17%). This shows that the majority of respondents are in the productive age range. Characteristics of respondents based on the level of education found that the majority of respondents were high school/equivalent graduates, as many as 80 people from 113 respondents (70.80%). So that based on the characteristics of the last level of education, it can be seen that the officer in charge of village funds, in this case serving as the KAUR of the Village Finance is an educated person.

4.2. Multiple Regressions analysis

TABLE 1: The Result of Multiple Regression Analysis.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.495	2.928		1.877	0.063
	SPI	0.182	0.081	0.217	0.2256	0.026
	SDM	0.062	0.110	0.051	0.564	0.574
	BO	0.341	0.091	0.376	3.756	0.000

Note: ^a = Dependent Variable: Kualitas Laporan Keuangan Dana Desa.

Based on Table 1 above can be seen that the coefficient value (B) of each independent variable in this study, respectively, is 0.182 for the Internal Control System variable, 0.062 for the variable Human Resource Competency, and 0.341 for the Organizational Culture variable. The coefficient value is then made in the form of the regression equation as follows:

$$KLK = 5.495 + 0.182SPI + 0.062SDM + 0.341BO + \epsilon.$$

Information:

KLK: The quality of village fund financial reports

SPI: Internal Control System

SDM: Human resource competence

BO: Organizational culture

α : constant^a

ϵ : error

Based on Table 1 above, it can also be known the *t*-test value of each proposed hypothesis. If it is known that the value of *t*-table is 1.984 and if the value of *t*-count > *t*-table or *p*-value < 0.05 then it can be said that the hypothesis is answered. Therefore, it can be seen that the first and third hypotheses can be proven because *p*-value < 0.05 and the value of *t*-count > *t*-table. while the second hypothesis has *p*-value > 0.05 and *t*-count < *t*-table so the second hypothesis proposed in this study is not proven.

If simultaneously, that is by comparing the value of *F*-table with *F*-count and by looking at the *p*-value, then based on the results in Table 2 below shows that the *F*-count value is 15.976 > *F*-table is 2.69, and has a *p*-value of 0.00 (< 0.05).

TABLE 2: Uji-F.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	241,925	3	80,642	15,976	0,000b
	Residual	550,199	109	5,048		
	Total	792,124	112			

Note: ^a = Dependent Variable: Kualitas Laporan Keuangan Dana Desa;
^b = Predictors: (Constant), Sistem Pengendalian Intern, Kompetensi Sumbser Daya Manusia, Budaya Organisasi

Thus, it can be said that all the independent variables in this study (internal control systems, human resource competencies, and organizational culture) simultaneously influence the dependent variable (the quality of village fund financial reports).

The influence of the independent variables in this study (internal control systems, human resource competencies, and organizational culture) on the dependent variable (the quality of village fund financial statements) can be seen from the adjusted R2 value. amounting to 0.286, which means that the Quality of the Village Fund Financial Report is influenced by the three independent variables in this study, namely the internal control system, human resource competence, and organizational culture by 28.6% while the other 71.4% is explained by other variables outside the model regression, including the implementation attitude, environment, accountability, and many other variables.

4.3. Discussion

The first hypothesis in this study which states that the internal control system influences the quality of village fund financial reports can be proven. This shows that KAUR Finance as the village apparatus in the Sumedang district has a good understanding of the existing internal control system in order to make it easier to complete all administrative requirements for Village Fund Allocation distribution. Understanding of the internal control system in this study is defined as the ability to carry out a series of financial reporting accounting procedures. The ability of a village finance KAUR in implementing a series of good regional financial accounting procedures will make it easier for the person to make all financial reporting needs in the village where he works. KAUR Finance that understands the regional financial accounting system will require a shorter time to complete the work compared to those who do not understand. In addition, the reports produced will be more quality and reduce the risk of errors in reporting.

Village finance financial reports can be said to be of high quality if human resources are working and managing administrative requirements of good quality. But in this study shows that the financial statements of village funds generated by the village government in the Kab. Sumedang local government can be said to be of high quality, but the results of hypothesis testing indicate that the competencies of existing human resources cannot affect the quality of the village fund financial reports produced. It can be interpreted that respondents in this study reflect human resources that are less competent.

In a village government, the Village Head is the most powerful person and is responsible for carrying out village activities. The Village Head has the authority to appoint and appoint someone to work as a village apparatus, including the KAUR Keuangan. So there is no special requirement from the government that requires village officials to have an educational background that is appropriate to their field of work. So it is natural that the educational background of the respondents in this study makes assessment of the competence of human resources to be low.

If the Village Finance Head feels that the organizational culture that is implemented in his work environment is getting better and easier to implement, then the completion time of his work will be faster and result in the quality of the financial statements produced. In this study, organizational culture is defined as the visualization of the flow of tasks, functions, authorities and responsibilities in the distribution of Village Fund Allocation. In

Sumedang District in particular, the organizational culture associated with the distribution of Village Fund Allocation is explained in a different District Regulation every year. Starting from what administrative requirements must be fulfilled, the flow of delivery, and to whom it is delivered. Regulations are made in detail and clear, so as to help facilitate the implementer.

5. Conclusion and Suggestion

5.1. Conclusion

The conclusion based on the analysis and discussion are:

There is an effect of the implementation of the internal control system and organizational culture on the quality of the village fund financial reports produced. Whereas human resource competencies have not been able to answer the hypothesis which states the influence of human resource competencies on village fund financial statements. A good understanding of the internal control system in the Sumedang District government environment and supported by a good organizational culture, can produce financial reports on the implementation of quality village fund allocations.

One of the assumptions that led to the results of this study rejects the hypothesis that the influence of human resource competencies with the quality of financial reports is due to the majority of respondents' education level having a high school/equivalent education so that they do not have an adequate understanding of government accounting. But the government at the District level always holds training and technical guidance, which has a significant impact on the quality of the financial statements produced.

5.2. Suggestion

It is better for further research to be able to examine other variables that affect the quality of financial statements of village fund allocation activities, and not only in one regional/city government, and researchers can use other methods in addition to distributing questionnaires to reduce the weaknesses related to internal validity or response bias.

References

- [1] Azhar. (2007). *Faktor-faktor yang Mempengaruhi Keberhasilan Penerapan Permendagri Nomor13 Tahun 2006 Pada Pemerintah Kota Banda Aceh*. Thesis, Medan, Pascasarjana Universitas Sumatera Utara.
- [2] Van Beest, F., Braam, G., and Boelens, S. (2009). *Quality of Financial Reporting: Measuring Qualitative Characteristics (Working Paper)*. Nijmegen Center for Economics (NiCE).
- [3] Lembaga Administrasi Negara dan Badan Pengawasan Keuangan dan Pembangunan RI 2000. *Akuntabilitas dan Good Governance, Modul 1-5, Modul Sosialisasi Sistem Akuntabilitas Kinerja Instansi Pemerintah (AKIP)*, LAN BPKP RI, Jakarta.
- [4] Mardiasmo. (2002). *Otonomi Daerah dan Manajemen Keuangan Daerah*. Yogyakarta: Andi.
- [5] Mardiasmo. (2006). *Pewujudan Transparansi dan Akuntabilitas Publik Melalui Akuntansi Sektor Publik: Suatu Sarana Good Governance*. *Jurnal Akuntansi Pemerintah*, vol. 2, no. 1, pp. 1–17.
- [6] Masmudi. (2003). *Laporan Keuangan Sektor Publik, antara Konsep dan Praktek*. *Jurnal Akuntansi dan Keuangan Sektor Publik*, vol. 3, no. 1.
- [7] McDaniel, L., Martin, R. D., and Maines, L. A. (December 1, 2002). *Evaluating financial reporting quality*. *Accounting Review*.
- [8] Nordiawan, D., Iswahyudi, and Rahmawati. (2007). *Akuntansi Pemerintahan*. Jakarta: Salemba Empat.
- [9] Roviyantie, D. (2011). *Pengaruh Kompetensi Sumber Daya Manusia dan Penerapan Sistem Akuntansi Keuangan Daerah Terhadap Kualitas Laporan Keuangan Daerah: Survei pada Organisasi Perangkat Daerah Kabupaten Tasikmalaya*. *Jurnal*. Universitas Siliwangi.
- [10] Siswanto, S. (2003). *Manajemen Tenaga Kerja Indonesia*. Jakarta. PT. Bumi Aksara.