# THE ROLE OF ACCOUNTING SYSTEM IN QUALITY OF GOVERNMENT FINANCIAL REPORT WITH SUPPORTED BY HUMAN RESOURCES

**(Survey On West Java Provincial Inspectorate)**

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***ABSTRACT***

*In carrying out financial activities, local government must build and have a good internal control system, often rolling various cases of misuse state finances and poor quality of government financial statements one of which is weak internal control system. In addition to the internal control system to produce good quality financial report supported by the exixtence of organizational commitment. A person who has a strong commitment to the organization will demonstrate a willingness to continue his membership in the organization and striving to achieve the goals of the organization and its environment to the public.*

*The method used in this research is descriptive and verifikatif with quantitative approach. Sources of data in this study is primary data with data technique conducted by questionnaire method. The method used in this research is Structural Equation Modeling (SEM) through Partial Least Square (PLS) approach SmartPLS 2.0 software.*

*The result of this study indicate that the Internal Control System has an influence on the Quality of Local Government Financial Statements. Organizational Commitment has an influence on Quality of Local Government Financial report.*

***Keywords: Internal Control System, Organixational Commitment, Quality of Financial Statement.***

## I. INTRODUCTION

### 1.1 Background

Internal control system is a process run by a management in a company that is designed to provide confidence about the reliability of financial statements, effectiveness and efficiency of the operation and compliance with laws and regulations applicable (Ikatan Akuntan Publik Indonesia, 2011)

The phenomenon that occurred in the Inspectorate of West Java Province according to Rini Rosnawati as Accounting Staff of Financial and Asset Pelapran (2017) states that one of the obstacles that occurred in the notes to the financial statements (CALK) is lack of coordination between several parties in the activities of examination, monitoring and financial reporting which can cause differences in recording and constraints in the timeliness in presenting financial statements (Rini Rosnawati, 2017).

### 1.2 Identification of Research Problems

Based on the background of the research that has been described above, the problem identifies are:

1) Internal Control System has not run optimally due to the management that has not been implemented properly.
2) Human Resource Knowledge in accrual basis accounting system is not adequate.
3) Timeliness in presenting financial statements.

### 1.3 Problem Research Formulation

Based on the background and identification of the problem, then the problem can be formulated as follows:

1) How Big The Influence Of Internal Control System To The Quality Of Local Government Financial Report.
2) How Big The Effect Of Organizational Commitment To Quality Of Local Government Financial Report.

### 1.4 Purpose And Research Objectives

#### 1.4.1 Research Purposes

The purpose of this study is to examine and collect data on how much influence the Internal Control System and Organizational Commitment to the Quality of Local Government Financial Statements.

#### 1.4.2 Research Objectives

Based on problem identification and problem formulation above, the purpose of this research is as follows:

1) To know the magnitude of the influence of internal control system on the quality of local government financial statements.
2) To know the magnitude of the effect of organizational commitment to the quality of local government financial statements.

### 1.1 Research Purpose

#### 1.5.1 Practical Usefulness

The results of this study are expected to provide solutions and problem solving related to the Influence of Internal Control System, Organizational Commitment to the Quality of Local Government Financial Statements.

#### 1.5.2 Academic Uses

The results of this research are used as the development of science through the study and the concepts are expected to re-prove the theories of previous research on the influence of internal control systems and organizational commitment to the quality of local government financial statements.

## II. REVIEW OF LITERATURE, FRAMEWORK FOR THINKING AND HYPOTHESES

### 2.1 Literature Review

#### 2.1.1 Internal Control System

##### 2.1.1.1 Definition of Internal Control System

Internal Control Systems According to Herry (2013: 15) are:

"Internal controls constitute a set of policies and procedures to protect the company's assets or assets from any form of misuse, ensuring accurate accounting information of the company, and ensuring that all legal provisions (laws) and management policies are properly complied with by all employee".

##### 2.1.1.2 Quality Indicators of Tax Service

Internal Control in ISA 315 consists of five components (Theodorus M.Tuanakotta, 2013: 128), namely: Control Environment, Risk Assessment, Information System, Control Activities, and Monitoring (Monitoring).

#### 2.1.2 Organizational Commitment

##### 2.1.2.1 Definition of Organizational Commitment

Organizational Commitment According to Colquitt LePine and Wesson (in Wibowo 2016: 430) are:

"Organizational Commitment is a willingness for some workers to remain members of the organization".

##### 2.1.2.2 Indicators of Organizational Commitment

According to Colquitt LePine and Wesson (in Wibowo 2016: 432) namely: Affective Commitment, Continue Commitment, Normative Commitment.

#### 2.1.3 Qualitaa Local Government Financial Statements

##### 2.1.3.1 Definition of Quality of Local Government Financial Statements

According to Erlina, et al (2015: 25) that:

"The quality of the government's financial statements is a result of the process of identifying, recording and economic transactions stating the money-related activities of the existing accounting entity within a government used as information in the framework of accounting entities accountability and economic decision making by parties requiring ".

##### 2.1.3.2 Quality Indicators of Local Government Financial Statements

According to Erlina, et al (2015: 8) indicators of financial statements are:

Relevant, Reliable, Comparable and Understandable.

### 2.2 Framework for Thinking

#### 2.2.1 Influence of Internal Control System to Quality of Local Government Financial Report

To produce local government financial reports required processes and stages to be passed that are regulated in the regional government accounting system. The accounting system in it regulates the internal control system, the quality of financial statements is strongly influenced by good or not internal control system owned by local government (Mahmudi, 2010: 27).

#### 2.2.2 Effect of Organizational Commitment on the Quality of Local Government Financial Statements

Soekidjan (2009: 201) states that organizational commitment is a behavior of human resources as an employee disebuah organizations related to loyalty, involvement with the organization, the maximum effort in carrying out the task and so forth. If resources have high organizational commitment it is expected to help produce reliable and timely financial reports. By knowing about the vision of the organization's mission, and the goals of the job goals can lead employees to work well that can ultimately realize the goals of the organization.

### 2.3 Research Hypothesis

According Sugiyono, (2016: 84) is meant by the hypothesis is as follows:
"Hypothesis is a temporary answer to the formulation of research problems, where the formulation of research problems have been expressed in the form of statement sentence".

Based on the above framework the hypothesis in this study are as follows:
H1: Internal Control System on the Quality of Local Government Financial Statements.
H2: Organizational Commitment to the Quality of Local Government Financial Statements.

## III. RESEARCH METHOD

### 3.1 Research Methods

The method used in this research is descriptive and verifikatif research method, used to test how much influence the system of internal control and organizational commitment to the quality of local government financial statements.

### 3.2 Operationalization of Variables

To test the proposed hypothesis, the variables to be studied need to be limited as follows:

1) Variable Independent / Independent Variable
In this study the free variable (X) is divided into two namely:
X1: Internal Control System
X2: Organizational Commitment
2) Variable Bound / Dependent Variable
In this study the dependent variable (Y) is the Quality of Local Government Financial Statements.

### 3.3 Data Sources and Data Collection Techniques

#### 3.3.1 Data Source

Source of data used in this research are:

1) Primary Data
2) Secondary Data

#### 3.3.2 Data Processing Technique

Data collection methods used in this study in two ways, namely Field Research (Field Research) and Library Studies (Library Reseach). Primary data collection is done by:

1) Interview
2) Questionnaire
3) Library Studies

### 3.4 Population, Sample, Place and Research time

#### 3.4.1 Population

The population of this study are 24 employees from 2 Sub Sections that compile and carry out activities related to financial report on Inspectorate of West Java Province.

#### 3.4.2 Sample

To prove the truth of the answer is still temporary (hypothesis) then the researchers do data collection on a particular object, because the object in the population is not too broad, the researchers used samples taken from the population.

According Sugiyono (2014: 85) Saturated sample is: "sampling technique when all members of the population used as

a sample. This is often done when the population is relatively small, less than 30 people, or research that wants to make generalizations with a very small error. Another term saturated sample is the census, where all members of the population are sampled. "

### 3.4.3 Place and Time of Research

To obtain data and information relating to the problems studied, the authors perform in the Office of West Java Provincial Inspectorate located on Jl. Surapati No.4, Citarum, Bandung Wetan, Bandung, West Java 4015.

The time of the study began in October to February 2018.

### 3.5 Data Testing Method

This study collected primary data using questionnaires.

Data obtained from the respondents need to be tested its validity. To test the seriousness of respondents' answers required two kinds of testing that is test of validity and test of reliability.

### 3.6 Data Analysis Method

Pursuant to research purpose, hence method used in this research is descriptive method and verifikatif method. In the implementation, this research uses the type or tool form of descriptive and verifikatif research conducted through data collection in the field.

### 3.6.1 Analysis of Descriptive

According to Umi Narimawati (2012: 245) the steps undertaken in descriptive research are as follows:

a. Indicators assessed by the respondents, are classified into five alternative answers using an ordinal scale that describes the answer ratings.

b. Calculated total score of each variable / subvariabel = total score of all indicator variables for all respondents.

c. Calculated score of each variable / subvariabel = the average of the total score

d. To describe the respondent's answer, also used descriptive statistics such as frequency distribution and display in the form of tables or graphs.

e. To answer the description of each of these research variables, the following criteria are used:

$$Skor\ Total = \frac{Skor\ Aktual}{Skor\ Ideal} \times 100\%$$

Sumber: Umi Narimawati (2010:245)

### 3.6.1 Analysis of Verifikatif

Verifikatif analysis in this research by using statistical test tool that is by variance based structural equation test or better known as Partial Least Square (PLS) using Smart PLS 2.0 software. Researchers use Partial Least Square (PLS) on the grounds that the variables used in this study are latent variables (measurable direct) which can be measured based on the indicators (variable manifest), and jointly involves the level of error measurement (error) . So the authors can analyze in more detail the indicators of latent variables that reflect the strongest and weakest latent variables that include the degree of error.

### 3.7 Hypothesis Testing

To test the hypothesis of research partially done through statistical hypothesis test as follows:

H0: γ1.1 = 0: The effect of ξ1 to η is not significant

H0: γ1.2 ≠ 0: The influence of ξ1 to η is significant

H0: γ2.1 = 0: The effect of ξ2 to η is not significant

H0: γ2.1 ≠ 0: The influence of ξ2 to η is significant

Reject H0 if thitung> ttable at significant level. Where ttable for α = 0,05 equal to 1,96.

**a**. Partial test

Hypothesis:

H0: β = 0: Internal Control System has no significant effect on Quality of Local Government Financial Report

H1: β ≠ 0: Internal Control System has significant effect on Quality of Local Government Financial Report

H0: β = 0: Organizational Commitment has no significant effect on Quality of Local Government Financial Report
H1: β ≠ 0: Clarity of Budget Objective has significant effect on Quality of Local Government Financial Report
Testing Criteria:
**a.** If t arithmetic ≥ t table (1.96) then H0 rejected, means Ha accepted.
**b**. If t arithmetic ≤ t table (1.96) then H0 accepted, Ha means rejected.
Calculate the value of tcount and compare it with ttable. The tcount, can be searched with the following equation:

$$t_{hitung} = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

Sumber:Sugiyono (2012:230)

Information:
t = Value test t
r = Correlation coefficient
n = Number of samples

## IV. RESEARCH RESULT AND DISCUSSION

### 4.1 Research Results

#### 4.1.1 Results of Descriptive Analysis

##### 4.1.1.1 Descriptive Internal Control System

The calculation result of percentage of total score from internal control system variable 527 (62.73%) is between 52% -68% interval. Thus it can be concluded that the internal control system variables are in the category enough, it shows that there are still weaknesses in the system of internal control.

##### 4.1.1.2 Descriptive Commitment Organization

The result of the calculation of the percentage of total score of the organizational commitment variable of 305 (63.54%) is between the 52% -68% interval, thus it can be concluded that the organizational commitment variable is in sufficient category, indicating that there is still a weakness in organizational commitment.

##### 4.1.1.3 Quality of Local Government Financial Statements

The result of the calculation of percentage of total score from the variable of Local Government Financial Statement Quality of 552 (65.71%) is between interval 52% -68%, thus it can be concluded that the quality variable of Local Government Financial Report is in enough category, weaknesses in the Quality of Local Government Financial Statements.

#### 4.1.2 Verifikatif Analysis

1. Testing Measurement Model (Outer Model)

**A. Test Validity**

a. Convergent Validity
Outer loading values for each indicator of the Internal Control System, the Organizational Commitment and the Quality of Local Government Financial Statements have a value> 0.7 which means that all indicators are stated to have good validity in explaining the latent variables

b. Discriminant Validity
The crossload correlation value of each latent construct for the corresponding indicator is higher than that of the other constructs, so it can be concluded that the indicators used to measure latent variables are eligible.

**B. Test Reliability**

The value of Composite Reliability (CR) of each latent variable exceeds 0.7 (Uce Indahyanti, 2013) so that the model is stated to have high reliability.

A. **Evaluasi *Fit Test Of Combination***

| Latent Variable | Koefisien Jalur | $t_{statistik}$ | $t_{kritis}$ | Keterangan | Kesimpulan |
|---|---|---|---|---|---|
| X1 -> Y | 0,312 | 3,658 | 2,079 | Ho ditolak | Signifikan |

**Models (All Models)**

The value of Goodness of Fit (GoF) obtained from the multiplication of the value of communality and R-square of 0.699. GoF value of 0.773 according to Uce Indahyanti (2013) is substantial or high, so it can be concluded that the fitness model of goodness of fit model is high.

**1. Structural Model Testing (Inner Model)**

The coefficient value of structural path X1 to Y is 0,311 and the coefficient of X2 to Y is 0.572.

Magnitude The effect of each variable is as follows:

1. Internal Control System contributes 23.4% to the quality of Local Government Financial Reports.
2. Organizational Commitment contributes 46.4% to the quality of Local Government Financial Reports.
3. The value of R Square obtained is 0.698 or 69.8%. The result shows that Internal Control System (X1) and Organizational Commitment (X2) together give 69,8% influence to Quality of Local Government Financial Report, while as much as (1-R Square) 30,20% influence given by other factors not investigated (ζ) in this study.

**1) Hypothesis Testing**

To see whether the effects exerted by these two exogenous latent variables are significant or not, hypothesis testing is as follows:

a) Influence of Internal Control System (X1) on Quality of Local Government Financial Report (Y) (Hypothesis 1)

**Table 4.1**
**Test t Internal Control System (X1) on the Quality of Local Government Financial Statements (Y)**

Source: Data is processed using software PLS

b) The Effect of Organizational Commitment (X2) on the Quality of Local Government Financial Statements (Y) (Hypothesis 2)

**Table 4.2**
**Latent Variable Coefficient of the tstatistic path of tkritis Description Conclusion**

Source: Data is processed using software PLS

| Latent Variable | Koefisien Jalur | $t_{statistik}$ | $t_{kritis}$ | Keterangan | Kesimpulan |
|---|---|---|---|---|---|
| X2 -> Y | 0,572 | 7,026 | 2,079 | Ho ditolak | Signifikan |

## 4.2 Discussion

### 4.2.1 Influence of Internal Control System to Quality of Local Government Financial Report

Based on the results of research in the Internal Control System (X1) has an effect on 23.4% to the quality of local government financial statements (Y) with a correlation value of 0.751 which means the internal control system gives a high influence with positive direction to the quality of local government financial statements at Inspektorat Provinsi Jawa West. Direction of positive relationship of internal control system with the quality of local government financial statements shows that the improved system of internal control will be followed by the quality of local government financial reports are also good. So from the results of this study note that the internal control system gives 23.4% influence on the quality of local government financial statements while the remaining 76.6% influenced by other factors not examined in this study such as local financial management and regional financial accounting system.

Then from the results of descriptive analysis has been done to prove that the internal control system has a percentage of responses of 62.73% of respondents and including enough, but there is a gap of 37.37%, which means there is a weak internal control system. This is evidenced by the most low indicator of respondents is an information system indicator of 59.17% which is a problem that exist in the internal control system, the score is included into the category enough, there is a gap of 40.83%. Furthermore, the monitoring indicator of 60.00% included into sufficient criteria, then the control activity indicator is 60.42%, the control environment indicator is 63.75% which means enter into enough category and risk rating indicator equal to 71.67%.

The results of this study provide empirical evidence on the internal control system on the quality of local government financial statements, where the improved internal control system will improve the quality of local government financial statements at the Inspectorate of West Java Province.

This research is supported by the theory according to Mahmudi (2010: 27) stating that "To produce local government financial statements required processes and stages to be passed that set in the system of local government accounting. The accounting system in it regulates the internal control system (SPI), the quality of financial statements is strongly influenced by good or not internal control system owned by local government ".

And supported by previous research results according to Ida Ayu Enny Kinarayati and Ni Made Adi Erawati (2016) concluded that the internal control system affect the quality of financial statements.

### 4.2.2 Effect of Organizational Commitment on the Quality of Local Government Financial Statements

Based on the results of research in the field, Organizational Commitment (X2) has an effect of 46.4% on the quality of local government financial statements (Y) with a correlation value of 0.811 which means Organizational Commitment gives high influence with positive direction to the quality of local government financial statements in Inspectorate West Java . The direction of positive relationship between organizational commitment and quality of local government financial report shows that the better internal control system will be followed by good quality of local government financial report. So from the results of this study note that Organizational Commitment gives the effect of 46.4% to the quality of Local Government Financial Statements while the remaining 53.6% influenced by other factors not examined in this study such as the quality of apparatus.

Then from the results of descriptive analysis that has been done to prove that the commitment of the organization has a percentage of 63.54% of respondents and is sufficient, but there is a gap of 36.46% which means there is a weakness Organizational Commitment. This is evidenced by the most low indicator of the respondents is the indicator of affective commitment 65.42%, there is a gap of 34.58%. Next indicator continued commitment of 63.33% included into the criteria enoughmdan sisannya normative commitmen indicator of 60.00%,

In the organization needed human resources that have an important role as a driver for the smooth running of an organization. High commitment employees can be expected to demonstrate optimal performance.

The results of this study provide empirical evidence on organizational commitment to the quality of local government financial statements, where the organization's better commitment will improve the quality of local government financial statements on the Inspectorate of West Java Province.

This research is supported by the theory mentioned by Kreitner and Kinicki (2014: 166): "Organizational commitment reflects the degree to which a person recognizes an organization and is committed to its goals. Achieving an organizational goal is influenced by workers who have loyalty to the company ".

And supported by the results of previous research by Liziana Widari and Sutrisno (2017) argued that organizational commitment has a positive effect on the quality of local government financial statements, the better the organization's commitment the better the quality of local government financial statements.

## V. CONCLUSIONS AND SUGGESTIONS

### 5.1. Conclusion

1. Internal control system affect the quality of local government financial statements. There is a relationship between the internal control system on the quality of local government financial statements, it shows a high relationship and marked positive, meaning that if the internal control system the better the quality of local government financial statements will be better.

2. Organizational commitment affect the quality of local government financial

statements. There is a relationship between organizational commitment to the quality of local government financial statements, it shows a high relationship and marked positive, meaning that if the organization's commitment the better the quality of local government financial statements will be better.

**5.2 Suggestions**

a. Practical Tips:

After the authors give conclusions from the results of research on the influence of Internal Control Systems and Organizational Commitment to the Quality of Local Government Financial Statements, the authors will provide some suggestions as follows:

1) In the Internal Control System then that should be given focus is on the Control Environment indicator where the Control Environment set one of the management functions.

2) We recommend that every employee in the Inspectorate of West Java Province is more trying to increase knowledge on the quality of local government financial statements, one of which is by employee Inspectorate can undergo education and training held by institutions such as seminars, training and bimtek, and add insight by undergoing education higher for the purpose of increasing knowledge and skills.

b. Academic Suggestions:

In the development of accounting science especially public sector accounting is expected this result can be used as a reference for future other researchers can use the same variable, the same method but the unit of analysis, population and different samples or look for other variables that affect the Quality of Government Financial Statements.

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