CENTRAL GOVERNMENT REPORTING QUALITY IN LHOKSEUMAWE KPPN PARTNERS WORKING UNIT

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ABSTRACT
This study aims to examine determinants of financial statements quality of central government institutions. There was a change in the implementation of full accrual-based accounting in the Indonesian government in 2015, with an impact on the quality of government financial reporting. This study is a development of previous research using four exogenous determinants, namely organizational commitments, human resources competencies, internal control systems, and the implementation of accrual-based accounting. The testing method employed in this research is quantitative. This research uses a questionnaire as a tool to collect data from respondents. The population in this study was the partner institutions in the State Treasury Office (KPPN) Lhokseumawe. The sample that can be used in this research is 93 respondents. The partial Least Square (PLS) technique was used to analyze data processed using Smart PLS 3.0. The results show that organizational commitment, internal control systems, and the implementation of accrual-based accounting have positive and significant impacts on the financial statements quality of central government institutions. Meanwhile, human resources competencies does not affect government reporting quality.

Keywords: government reporting, accrual basis, organizational commitment, internal control system, human resources

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INTRODUCTION

The community needs government services and increased good governance, which also encourages the government to increase public responsibility. Responsibility is defined as responsibility related to the success or failure of organizational plans to obtain predetermined goals by using accountability media periodically (Mardiasmo, 2002).

The government’s real efforts and hard work to implement accountability and transparency in government financial governance are realized through financial reporting. Financial reports compiled by the government become the basis for making decisions by stakeholders. Because of this, the information in government financial reporting must be efficient and in accordance with what users need. If accounting information is able to support in determining authority and can be understood by users, then this information will be very useful.

The party gave the mandate under the law to conduct audits and provide opinions on government financial reporting, namely the Financial Audit Board/Supreme Auditor (BPK). As for the development of opinions on the financial reports by BPK to the central government during 2015 – 2019 since accrual-based accounting began to be implemented, it has shown the development of better opinion results. In other words, an increase in audit opinion should also show that the quality of government financial reporting is getting better (Fachriyandana and Wibowo, 2020).

As for the audit opinion data from the assessment results related to the Central Government Financial Statements (LKPP) for 2015 - 2019 the development of BPK’s opinion on the Financial Reports of State Ministries/Institutions (LKKL) shows an increase in the quality of opinion in most state ministries/institutions. However, there are still 6 Ministries/Institutions that received a Qualified Opinion (WDP) or Disclaimer of Opinion (TMP), such as the National Cyber and Crypto Agency, the Ministry of Public Works and Public Housing, the General Elections Commission, the Nuclear Energy Supervisory Agency, the Corruption Eradication Commission, Government Goods/Services Procurement Policy Institute. In addition, there are still ministries/institutions that have consistently received TMP opinions throughout 2016 – 2019, namely the Maritime Security Agency.

In addition, the BPK also found 26 deficiencies in internal control and five problems regarding non-compliance with statutory provisions. In 2021, BPK examined entities including 87 K/L and 1 State General Treasurer. The development of BPK’s opinion on LKPP 2015 to 2021 is as explained below.

Table 1. Audit Opinion of Line Ministries and Agencies, 2015-2021

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Unqualified</td>
<td>56</td>
<td>74</td>
<td>80</td>
<td>82</td>
<td>85</td>
<td>85</td>
<td>83</td>
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<tr>
<td>Qualified</td>
<td>26</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Disclaimer</td>
<td>4</td>
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<td>1</td>
<td>1</td>
<td>-</td>
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<tr>
<td>Adverse</td>
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</table>

Source: Supreme Auditor (2021)

The BPK evaluation results in the BPK Inspection Report (LHP) regarding LKPP in 2019 indicate that there are problems that correlate with the Internal Control System (SPI) and how well it complies with statutory provisions. Some of the problems that correlate with SPI, for example, the use of personal accounts to manage budgets with sources from the State Budget, savings balances that do not match physically, remaining deposits that have not been deposited/delays occur, as well as the use of deposits without documents attached at 34 K/L, as well as having a recording of availability that is not in accordance with the provisions of 53 K/L. In addition, the problems found by the BPK are related to compliance with statutory provisions, such as the management of non-tax state revenues at 40 K/L at least Rp., the budget, implementation, and responsibility for spending in 85 Ministries/Institutions amounted to at least IDR 10.65 trillion and USD 29.40 million without being based on regulations.

So far, a lot of research has been done on the determinants of the quality of government financial reports. The quality of financial reports that have been widely used by previous researchers is audit opinion. Several studies related to the determinants of financial report quality can be found in a number of literature. As in the research of Tresnawati and Nur Apandi (2016), it states that auditing results have a positive effect on the quality of financial reporting.
The provision of audit opinion by the BPK is given to reporting entities in this case the central government, regional governments, and every state ministry or agency within the government is satisfied. At the level of accounting entities such as work units there is no audit opinion given by BPK. This resulted in an audit opinion not being used as a measure of the quality of financial reports at the work unit level. As the results of Fachriyandana and Wibowo’s research (2020) state that audit findings have a negative effect on the results of the audit opinion, then the level of disclosure has a positive effect on the audit opinion. This is supported by a number of studies such as Furqan et al. (2020) and Pamungkas et al. (2018). This conclusion was obtained from research on the determinants of the quality of financial reports at the K/L level. However, this cannot rule out the existence of various audit findings related to SPI weaknesses and compliance with laws and regulations that are often found in a number of the K/Ls mentioned above. Therefore, the level of audit opinion may not necessarily be used as a proxy for the quality of government financial reporting. On that basis, another measure is needed to obtain a picture of the quality of financial statements other than an audit opinion.

Research carried out by Xu et al. (2003) in Australian case studies, factors in the form of human issues, system issues, and organization issues affect the quality of financial reports, while external issues do not affect the quality of financial reports in the long term. In line with the research conducted by Nirwana and Haliah (2018) also examines independent variables in the form of the quality of human resources, internal control systems, and the use of technology that significantly affect the quality of government financial reports. In addition, research conducted by Nkundabanyanga et al. (2013) on the government ministry in Uganda explained that compliance with SAP (Government Accounting Standards) and the legal framework significantly influenced on the quality of financial reports.

In Indonesia, studies regarding the factors that influence the quality of government financial reporting have been carried out on local government entities. However, there is still little research that reveals the determinants of the quality of central government financial reporting at the accounting unit or work unit entity level. Purwanti and Natser (2017) conducted research that approached the topic of institutional/state ministry financial reporting quality, research was conducted to find out accounting information systems that affect the quality of government financial reporting in central government work units. Based on the research results of Purwanti and Natser (2017), it is stated that HR capacity, input control and SAP implementation have a significant impact on the quality of government financial reporting. Irvan et al (2017) and Yusriani and Faji (2020) also found the positive impact of government accounting standard implementation and human resource competence on financial statement quality in a local government context.

Research on the quality of central government financial reporting, especially on state ministry/institutional entities, was also carried out by Ratmono (2019). Ratmono (2019) states that factors such as compliance with regulations, quality of human resources, reliability of SPI, and use of technology have been able to improve the quality of state ministry/agency financial reporting and have a positive influence on the quality of government financial reporting. The study by Firmansyah et.al. (2020) examined human resources competencies in understanding statutory provisions and government accounting standards which have a significant impact on the reliability of the accounting information produced. Several previous studies have used secondary data collection methods, which when compared to using primary data, would be more appropriate to take a case study on a particular object that is in accordance with the objectives of the research.

However, there are still differences in the results of previous research on the determinants of financial report quality. Research by Julita and Susilatri (2018), analysis of factors affecting the quality of government financial reports in Bengkalis regency, uses one of the independent variables in the form of SAP implementation, in which SAP implementation does not affect the quality of financial reporting. As the study belonging to Al-Hiyari et al. (2013) also conveyed differences in results with previous studies, the independent variable in the form of organizational commitment has no significant influence on the quality of financial reporting. In this study, the quality of financial reporting was not measured using audit opinion but using primary data through a survey of financial report preparers.

There are inconsistencies in research results on the determinants of financial report quality such as the role of organizational commitment, human resource capabilities, internal control systems, and the application of an accrual-based accounting, so this needs to be reviewed on a different object. Furthermore, as a form of updating in this study, measuring the application of accrual-based accounting, not only looking through PSAP but also PMK which regulates the accrual accounting system using PMK Number 215 of 2016.

On this basis, the author has an interest in conducting research entitled "Determinants of the Quality of Financial Statements of State Ministries/Institutions (LKKN)". The State Ministries/Institutions referred to are in the UAKPA (Accounting Unit of Budget User Authority), specifically the Lhokseumawe KPPN (State Treasury Service Office) partner work unit. The reason for being taken by the Lhokseumawe KPPN partner work unit was because there were various problems regarding financial reporting in the work unit. Based on the results of an internal review of the Directorate General of Treasury, several problems with the Lhokseumawe KPPN partner work unit such as problems with abnormal balances, minus ceilings, difference between incoming and outgoing transfers, and minus book value of state property. By conducting this study, at least it can provide benefits by increasing the factors that most influence the quality of government financial reports.

This research aims to seek determinants of financial reporting quality to examine whether organizational commitment, human resource competence, internal control system, and accrual accounting implementation matter. To answer this research question, we have four hypothesis to develop in this study.

**H1 = Organizational commitment has a positive effect on the quality of State Ministry/Institution Financial Reports**

Widodo (2010) states that not only funding and facilities are the determinant that is necessary and inherent in the administration of governmental power is the capacity of human resources. Meanwhile, conditions in the field have many obstacles both in terms of human resource capacity and implementation.

Sari et al. (2014), argue that the capacity of human resources has an important and positive influence on government financial reporting. In the study it was stated that the stronger the ability of human resources, the better the quality of financial reporting to be obtained. Based on the explanation that has been given, the second hypothesis in this study is:

**H2 = Competence of human resources has a positive effect on the quality of State Ministry/Institution Financial Reports**

Internal control is a component of risk management and needs to be implemented through each organization to achieve its goals. Proper implementation of internal controls will ensure quality or the credibility of financial reporting and will maximize the level of stakeholder trust.

The internal control system includes various management instruments to achieve various objectives. This goal is to ensure compliance with laws and regulations, ensure the credibility of reporting and financial data, and promote the effectiveness of government operations. Therefore, internal control is the foundation of good governance and the first line of defense against illegal data and information in the process of preparing government financial reports. Indriasari (2008) and Winidyatingrum and Rahmawati (2010) explained that the internal control of government accounting empirically influences the quality of the value of government financial reports which are assessed through timeliness and reliability. As Nugraha and Susanti's (2010) study gave similar results, it was found that the internal control system had a positive influence on the reliability of financial statements.
Based on the exposure that has been described, this study aims to re-examine the relationship between the internal control system and the quality of financial report information. On that basis, the third hypothesis developed in this research, as follows:

**H₃** = The internal control system has a positive effect on the quality of State Ministry/Institution Financial Reports

Government Accounting Standards (SAP) is regulated in Government Regulation Number 71 of 2010. SAP is the principle used in preparing and submitting government financial reports. SAP is carried out within the scope of government including line ministries/ agencies. Mardiasmo (2002) explains that accounting standards serve as a basis for determining accounting treatment when compiling reports to be reported to users of financial statements. SAP is a reference for compiling financial reports. Therefore, SAP is a crucial factor that can improve the quality of financial reports. If government accounting standards are understood and applied, it means being able to obtain financial reports in accordance with qualitative characteristics.

The results of research by Nugraheni and Subaweh (2008) prove that the implementation of accrual accounting (SAP) has a positive and significant impact on the quality of financial reports. The results of this study are also supported by research belonging to Mahaputra and Putra (2014), which states that government accounting standards have a positive influence on the quality of government financial reports. Based on the explanation that has been described, the fourth hypothesis developed in this research, namely:

**H₄** = Application of Accrual Based Accounting has a positive effect on the quality of State Ministry/Institution Financial Reports

**METHODS**

The research was carried out with objects in Lhokseumawe KPPN partner work units. The scope of the area under the payment of the Lhokseumawe KPPN includes two districts and two cities, consisting of North Aceh District, Bireuen District and Lhokseumawe City. In 2020, the Lhokseumawe KPPN partner work units are 102 work units or as UAKPA (Accounting Unit for Authorized Budget Users).

The population studied was accounting or finance in the Lhokseumawe KPPN partner work unit, which totaled 102 UAKPA. The sampling of respondents was carried out purposively. The purposive sampling method is used because the data to be obtained comes from sources that are deliberately determined based on the characteristics that have been determined by the researcher.

In this study, the criteria for the respondents to be selected were the Lhokseumawe KPPN partner work units which had authority codes for the Central Office and Regional Offices, this limitation was based on effectiveness while obtaining information. Therefore, collecting data is expected to be effective and economical. Respondents/participants are officials or accounting officers or financial managers in each work unit. Determining the number of representative samples according to Krecie and Morgan (1970) in Uma Sekaran (2016) makes a list to determine the number of samples with a total population (N) of 110, the sample size (S) is 86. Thus, the number of samples in this study uses at least 86 participant samples.

This study is quantitative research using primary data. These data can be used to calculate the various variables studied in this study. The procedure for collecting data is carried out by distributing questionnaires or lists of questions to the accounting/financial administration department in the Lhokseumawe KPPN partner work unit. The questionnaire contains indicators of organizational commitment factors, human resource competencies, internal control systems, and the application of accrual-based accounting on the quality of state ministry/agency financial reports. Indicators are measured by a likert-scale, 1 to 5, whereas 1 means strongly disagree and 5 strongly agree.

Government reporting quality, a dependent variable, is a condition in which financial reports prepared by government entities meet several indicators required by accounting standards. The variable is measured by a number of indicators developed by Darmawan (2018) and Government Accounting Standard (PSAP). These indicators cover relevance, credibility, comparability, and adapted understanding of the financial report prepared by central governments. We use organizational commitments, human resource competency, internal control system, and accrual basis implementation as explanatory variables in this research.
Organizational commitment is the capability and willingness to adapt individual attitudes to the needs, preferences and goals of the organization. Organizational commitment in this study is determined by using the dimensions developed by Allen and Meyer (1994), namely affective commitment, continuing commitment, and normative commitment. Human resource competence is a fundamental characteristic of individuals who have the opportunity to show their best performance while carrying out their responsibilities. Harvesi (2005) states that competence is a characteristic of a person that can be observed through skills, knowledge and ability to carry out the tasks assigned to him. This variable can be measured through indicators, namely knowledge, skills, and behavior (Darmawan, 2018). The internal control system is a way to provide guidance, supervision, and measurement of organizational resources, and has a crucial role in preventing and detecting fraud or fraud. Internal control includes methods as well as policies to achieve goals, guarantee or provide credible financial information, and ensure compliance with applicable laws and regulations. Internal control system variables are measured in accordance with Government Regulation Number 60 of 2008 namely control environment, risk assessment, control activities, information and communication, as well as internal control monitoring. Internal control system variables are determined by measurement through adjusted indicators from Darmawan's research (2018).

The application of accrual basis accounting is how much you understand the accounting principles that are determined for the preparation and presentation of government financial reports (Sari et al., 2014). The dependent variable in this study is the level of implementation of accrual accounting to find out and assess how far the implementation of accrual accounting is based on SAP, the use of index methodology for capturing various information as parameters that are easy to understand. In particular, the variable level of application of accrual-based accounting is determined by measurement through indicators of the level of application of government accounting standard statements in accordance with Government Regulation Number 71 of 2010 regarding SAP, namely components of financial reports, accounting principles, and entity concessions in financial reporting (Darmawan, 2018).

Furthermore, as a new contribution in measuring the application of accrual-based accounting, indicators were added that were developed according to the objectives of this study using PMK Number 215 of 2016 regarding amendments to PMK Number 213/PMK.05/2013 regarding Central Government Accounting and Financial Reporting Systems, PMK Number 225 2019 concerning Central Government Accounting Policies, as well as PMK No. 212 of 2019 concerning Journal of Government Accounting at the Central Government.

The completed indicators for all variables developed for this study are presented in Table 2 below.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Indicator Codes</th>
<th>Short Description</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Reporting Quality (RQ)</td>
<td>9</td>
<td>RQ1-RQ9</td>
<td>RQ is measured by relevance, reliability, comparability, understandable</td>
<td>Darmawan (2018) and PSAP</td>
</tr>
<tr>
<td>Organizational Commitment (OC)</td>
<td>8</td>
<td>OC1-OC9</td>
<td>OC is measured by affective commitment, sustainable commitment, and normative commitment</td>
<td>Allen and Mayer (1994)</td>
</tr>
<tr>
<td>Human Resource Competence (HR)</td>
<td>10</td>
<td>HR1-HR10</td>
<td>HR is measured from the perspective of knowledge, skills, and attitude</td>
<td>Darmawan (2018)</td>
</tr>
<tr>
<td>Internal Control System (IC)</td>
<td>10</td>
<td>IC1-IC10</td>
<td>IC is measured by government internal control principles (SPIP) based on Government Regulation No. 60 the Year 2008</td>
<td>Government Regulation No.60 the Year 2008</td>
</tr>
<tr>
<td>Accrual Accounting Implementation (AA)</td>
<td>11</td>
<td>AA1-AA11</td>
<td>AA is measured by criteria in government accounting standards (PSAP)</td>
<td>PSAP and MoF Decrees concerning government accounting</td>
</tr>
</tbody>
</table>
Hypothesis testing in this study used Partial Least Squares (PLS), namely multivariate statistics that can compare multiple dependent constructs (Hartono and Abdillah, 2009). PLS is a type-based SEM (Structural Equation Modeling) statistical method designed to solve multiple regression when there are problematic data, including small sample measurements, data loss, or multicollinearity. Before doing hypothesis tests, we do validity and reliability tests. Validity testing is carried out in order to measure whether the questions in the questionnaire are valid or not. On the other hand, reliability testing is one of the questionnaires measuring instruments as variable parameters or constructs. If the respondent answers the questionnaire questions persistently, it means that the questionnaire is considered reliable (Ghozali, 2008).

RESULTS

Based on our survey distribution, we could collect 93 out of 102 questionnaires distributed to the Lhokseumawe KPPN partner Work Unit, so the response rate was 91.18%. Of the 93 questionnaires returned, it can be said that all questionnaires were feasible to be processed because the respondents filled them out completely, thus the data ready to be processed were 93 questionnaires (Table 3).

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributed questionnaires</td>
<td>102</td>
<td>100%</td>
</tr>
<tr>
<td>Unreturned questionnaires</td>
<td>9</td>
<td>8.82%</td>
</tr>
<tr>
<td>Returned and completed questionnaires</td>
<td>93</td>
<td>91.18%</td>
</tr>
</tbody>
</table>

Sources: Data processed by authors

Based on our collected data, it can be seen that the number of participants who were quite large was the group aged 35-45 years, namely 46 respondents or 49.46%. Most of the respondents were male, namely 57 respondents or 61.29%. While the respondents who were female 36 respondents or 38.71%. Turning to educational background, most participants have an undergraduate education level as many as 62 participants or 66.67%, where the majority of the program, namely accounting or management with a total of 45 participants or 48.39%. Most of the respondents have working experience in long periods, 54 out of 93 respondents (58%) have worked more than 10 years in government institutions. Respondents who held positions as application operators were the most respondents, namely 41 respondents or 44.09%, followed by 37 respondents or 39.78% in the position of treasurer. These respondent profiles showed us that our respondents are capable of being very good respondents because they have excellent experience in the subject of accounting area and government affairs.

In light of the surveys, we may provide information about the answer variations based on our respondent’s perceptions (Table 4). We can see how the respondents have perceptions about our observed variables in their workplaces.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Reporting Quality (Y)</td>
<td>0.24</td>
<td>0.36</td>
<td>4.30</td>
<td>33.33</td>
<td>61.77</td>
<td>100</td>
</tr>
<tr>
<td>Organizational Commitment (X1)</td>
<td>0.94</td>
<td>0.67</td>
<td>8.47</td>
<td>35.62</td>
<td>54.30</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3. Distributed and Returned Questionnaires

Table 4. Percentage of Questionnaire Answers for All Variables
Variables | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Total |
--- | --- | --- | --- | --- | --- | --- |
Human Resource Competence (X2) | 0.11 | 1.29 | 15.27 | 43.33 | 40.00 | 100 |
Internal Control System (X3) | 0.65 | 0.43 | 7.31 | 43.23 | 48.39 | 100 |
Accrual Accounting Implementation (X4) | 0.20 | 0.29 | 5.67 | 40.08 | 53.76 | 100 |

Source: data processed by authors

Based on Table 3, it can be seen the percentage of respondents' perceptions of the variables of organizational commitment, human resource competence, internal control systems, accrual-based accounting implementation, and quality of financial statements of State Ministries/Institutions. This indicates that the majority of participants gave agreed and strongly agree on indicators stated in the questionnaires. It is least likely that respondents chose to disagree and strongly disagree options.

Meanwhile, descriptive statistics are used to provide a description of the variables studied in the study which show the maximum value, minimum value, mean and standard deviation for each variable. Descriptive statistics obtained through answers to questionnaires related to research variables are presented in the following Table 5.

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Minimum</th>
<th>Max</th>
<th>Median</th>
<th>Mean</th>
<th>Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Reporting Quality (Y)</td>
<td>93</td>
<td>1,000</td>
<td>5,000</td>
<td>5,000</td>
<td>4,560</td>
<td>0,619</td>
</tr>
<tr>
<td>Organizational Commitment (X1)</td>
<td>93</td>
<td>1,000</td>
<td>5,000</td>
<td>5,000</td>
<td>4,417</td>
<td>0,752</td>
</tr>
<tr>
<td>Human Resource Competence (X2)</td>
<td>93</td>
<td>1,000</td>
<td>5,000</td>
<td>4,000</td>
<td>4,218</td>
<td>0,753</td>
</tr>
<tr>
<td>Internal Control System (X3)</td>
<td>93</td>
<td>1,000</td>
<td>5,000</td>
<td>4,000</td>
<td>4,383</td>
<td>0,697</td>
</tr>
<tr>
<td>Accrual Accounting Implementation (X4)</td>
<td>93</td>
<td>1,000</td>
<td>5,000</td>
<td>5,000</td>
<td>4,469</td>
<td>0,635</td>
</tr>
</tbody>
</table>

Source: data processed by authors

In the variable quality of the financial reports of state ministries/institutions, the lowest score obtained from the respondents' answers is 1,000 and the highest score obtained is 5,000, with the mean of the total score of the answers to the government reporting quality (Y), namely 4,560 and the median is 4,560, and standard deviation of 0.619. This indicates that the quality of government reporting is very good because the standard deviation is smaller than the average, meaning that the mean value can be used as a representation of the entire data. In addition, the mean value is closer to the median value which explains that basically, the government reporting quality has improved considerably.

The organizational commitment variable (X1) got the lowest score from the respondents' answers, namely 1,000 and the highest score through the participants' answers, which was 5,000 with the mean total score for organizational commitment answers being 4,417 and the median being 5,000, and a standard deviation of 0,752. This indicates that organizational commitment is good because the standard deviation is smaller than the average. That is, the mean value can be used as an embodiment of all data. The standard deviation is a representation by means of the average deviation of the data from the mean, and explains how big or small the variation in the data is. In addition, the mean is close to the median, meaning that in general organizational commitment is good.

The human resource competency variable with the lowest score through the results of the participants' answers was 1,000 and the highest score obtained through the participants' answers was...
5,000 with the average (mean) total score of the human resource competency answers, namely 4.218 and the median was 4.000, and a standard deviation of 0.753. This indicates that the competence of human resources is good because the standard deviation is smaller than the average value, meaning that the mean can be used as a description of all data. In addition, the mean value above the median means that in general human resource competence is very good.

In the internal control system variable, the lowest score obtained from the respondents’ answers is 1,000 and the highest score obtained through the participants’ answers is 5,000, with the mean (mean) total score of the internal control system answers, namely 4,383 and the median is 4,000, and the standard deviation is 0.697. This indicates that the internal control system is good because the standard deviation is smaller than the average, meaning that the mean value can be used as a description of all data. Not only that, the mean value above the median means that in general, the internal control system is very good.

The lowest accrual-based accounting application variable score obtained from the respondents' answers was 1,000 and the highest score obtained through the participants' answers was 5,000, with the mean (mean) total score of the answers to the application of accrual-based accounting was 4,469 and the median was 5,000, and the standard deviation 0.635. This indicates that the application of accrual-based accounting is good because the standard deviation is smaller than the average, meaning that the mean value can be used as a description of all data. Not only that, the mean value is almost close to the median value, meaning that in general the application of accrual-based accounting is good.

The convergent validity test is carried out through a review of the loading factor values in each construct. A loading factor value of more than 0.7 is determined to be a valid or ideal size to be used as a parameter in construct measurements, values 0.5 to 0.6 are acceptable, while values less than 0.5 must be removed from the model (Ghazali, 2008). Based on these criteria, there are several indicators for each variable are not valid as follows (Table 6).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Items</th>
<th>Valid</th>
<th>Not Valid</th>
<th>Loading Factors for Valid Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Reporting Quality (RQ)</td>
<td>9</td>
<td>8</td>
<td>1</td>
<td>0.737-0.816</td>
</tr>
<tr>
<td>Organizational Commitment (OC)</td>
<td>8</td>
<td>5</td>
<td>3</td>
<td>0.784-0.874</td>
</tr>
<tr>
<td>Human Resource Competence (HR)</td>
<td>10</td>
<td>9</td>
<td>1</td>
<td>0.751-0.879</td>
</tr>
<tr>
<td>Internal Control System (IC)</td>
<td>10</td>
<td>10</td>
<td>-</td>
<td>0.777-0.883</td>
</tr>
<tr>
<td>Accrual Accounting Implementation (AA)</td>
<td>11</td>
<td>11</td>
<td>-</td>
<td>0.793-0.888</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>48</strong></td>
<td><strong>43</strong></td>
<td><strong>5</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: data processed by authors

In addition to the loading factor value, in order to fulfill convergent validity, it must be confirmed by the Average Variance Extracted (AVE) value. To be valid indicators, the AVE value must be greater than 0.5 (Ghazali and Hengky, 2015). The following Table 7 presents AVE calculation which is obtained from the output of the PLS Algorithm.

<table>
<thead>
<tr>
<th>Variable</th>
<th>AVE Value</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Reporting Quality (RQ)</td>
<td>0.644</td>
<td>Valid</td>
</tr>
<tr>
<td>Organizational Commitment (OC)</td>
<td>0.691</td>
<td>Valid</td>
</tr>
<tr>
<td>Human Resource Competence (HR)</td>
<td>0.652</td>
<td>Valid</td>
</tr>
<tr>
<td>Internal Control System (IC)</td>
<td>0.760</td>
<td>Valid</td>
</tr>
<tr>
<td>Accrual Accounting Implementation (AA)</td>
<td>0.716</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: data processed by authors

Meanwhile, a construct reliability test is also carried out whose measurement is carried out through composite reliability through a parameter block that determines the size of the construct. Reliability testing is needed to show how accurate and consistent the instrument is when determining construct sizes. Composite reliability estimates the true value of construct credibility. The construct is considered tested if
the composite reliability value is greater than 0.7 (Hartono and Abdillah, 2015). Composite reliability, \( \rho_A \) and Cronbach’s Alpha values from the results of the PLS Algorithm Smart PLS application can be observed through the Table 8 as follows. Based on Table 8, we can see that all variables are reliable for our study.

### Table 8. Reliability Tests

<table>
<thead>
<tr>
<th>Variables</th>
<th>Composite Reliability</th>
<th>( \rho_A )</th>
<th>Cronbach's Alpha</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Reporting Quality (RQ)</td>
<td>0.927</td>
<td>0.911</td>
<td>0.907</td>
<td>Reliable</td>
</tr>
<tr>
<td>Organizational Commitment (OC)</td>
<td>0.918</td>
<td>0.896</td>
<td>0.888</td>
<td>Reliable</td>
</tr>
<tr>
<td>Human Resource Competence (HR)</td>
<td>0.944</td>
<td>0.936</td>
<td>0.933</td>
<td>Reliable</td>
</tr>
<tr>
<td>Internal Control System (IC)</td>
<td>0.962</td>
<td>0.956</td>
<td>0.955</td>
<td>Reliable</td>
</tr>
<tr>
<td>Accrual Accounting Implementation (AA)</td>
<td>0.962</td>
<td>0.958</td>
<td>0.956</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: data processed by authors

Furthermore, the hypothesis test is carried out by reviewing the T statistics values obtained through the bootstrapping stage. The hypothesis is accepted if the T statistics value is greater than 1.96 with an acceptance level of 5% (one tailed) (Abdillah and Jogiyanto, 2015). Table 9 below presents the hypothesis tests.

### Table 9. Hypothesis Tests

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
<th>Path Analysis</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Commitment (OC)</td>
<td>Government Reporting Quality (RQ)</td>
<td>0.337</td>
<td>3.585</td>
<td>0.000</td>
<td>Accept Hypothesis</td>
</tr>
<tr>
<td>Human Resource Competence (HR)</td>
<td>Government Reporting Quality (RQ)</td>
<td>0.018</td>
<td>0.176</td>
<td>0.430</td>
<td>Reject Hypothesis</td>
</tr>
<tr>
<td>Internal Control System (IC)</td>
<td>Government Reporting Quality (RQ)</td>
<td>0.305</td>
<td>2.428</td>
<td>0.008</td>
<td>Accept Hypothesis</td>
</tr>
<tr>
<td>Accrual Accounting Implementation (AA)</td>
<td>Government Reporting Quality (RQ)</td>
<td>0.309</td>
<td>2.408</td>
<td>0.008</td>
<td>Accept Hypothesis</td>
</tr>
</tbody>
</table>

Source: data processed by authors

Table 9 tells us that three independent variables, namely organizational commitment (OC), internal control system (IC), and accrual accounting implementation (AA) are proven to be significant in explaining government reporting quality variation. On the other hand, human resource competence (HR) is not significant as an explanatory variable.

### DISCUSSION

The results of the hypothesis test show that the first hypothesis is that organizational commitment has a positive effect on the quality of government reporting is accepted. Organizational commitment has a positive and significant impact on the quality of financial statement prepared by government with a path coefficient of 0.337.

Based on the participants’ answers, the organization’s commitment to manifest good quality financial reports. The loading factor value for the management commitment variable ranges from 0.807 to 0.889, where the indicators seek to optimize performance and show a positive attitude in the work unit indicating a strong commitment to preparing quality financial reports, showing a loading factor of 0.889.

The findings of this study are in line with institutional theory which holds that organizational management will act consciously, wisely and prudently for the common good. Referring to the answers of the participants in this study, it supports the first hypothesis which is possible because of the strong organizational commitment to improving performance and the best opportunities for building careers in Lhokseumawe KPPN partner work units to implement quality financial reports. As according to Ikhsan and Ishak (2008) which states that organizational commitment is the degree to which an employee side with the organization and goals, and is willing to continue membership in the organization. High commitment
makes individuals see that their organization is more important than personal interests and strives to make the organization better.

The results of the research are in accordance with Silviana’s study (2011) which explains that organizational commitment significantly influences the quality of government financial reports. The results of this study are also consistent with the studies of Nurkhamid (2008) and Akbar et al. (2012) who explained that organizational commitment has a positive and significant influence on performance accountability.

The hypothesis test shows that the second hypothesis, namely the competence of human resources has a positive effect on the quality of government financial statement is rejected. Competence of human resources without affecting the quality of LKKL with a P value above 0.05 which is 0.430 or the hypothesis is rejected.

Based on the participants’ answers, the human resources in the financial governance sector and filing financial reports in Lhokseumawe KPPN partner work units do not necessarily have qualified capabilities. The loading factor value of the human resource competency variable ranges from 0.861 to 0.894, where the parameters of the ability to properly prepare and present financial reports and the ability to post journal entries into the ledger through the application show a loading factor of 0.887 and 0.864.

Education and training that are correlated with governance and submission of financial reports have been carried out, but the seriousness is not enough to support employee competency improvement. Thus the findings of this study are inconsistent with institutional theory which describes that leaders are not motivated by individual goals, but tend to direct the main goals for the benefit of the organization.

The development of human resource competencies within the Lhokseumawe KPPN partner work unit does not affect the quality of the LKKL presented. This was shown by the participants’ answers regarding the quality of government reporting which tended to improve, where most of the respondents agreed and strongly agreed with an average of 4.560 (Table 4). Meanwhile, the respondents’ answers for human resource competence were still those who disagreed and were neutral.

The empirical findings from this study show that there is still a low number of employees with an educational background in accounting (competence of employees with an educational background other than accounting is 51.61%), plus concurrent positions so that they do not focus on financial management, even though the accounting system that has been made has improved, the human resources are not capable of carrying it out. Another possibility that causes HR competence without affecting the quality of financial reports is that the function of preparing financial reports has been replaced by many applications. Therefore, educational background is not always directly proportional to the ability to prepare financial reports because the preparation of financial reports is assisted by application systems for preparing financial reports such as the SAIBA and SAKTI applications.

The findings of this study are in line with research conducted by Indriasari and Ertambang (2008) and Nurdioso (2014) which describe human resource competencies without affecting the quality of financial reports. However, the findings of this study are not in line with Xu’s research, et al. (2003), Choirunisah (2008) and Subadryyah (2014), explained that the competence of human resources has a significant positive influence on the quality of government financial reports.

Although the human resource competency factor does not directly affect the financial statements quality, human resource competence plays an important role and is a driving force for advancing organizational operations to achieve the vision, mission and goals of the organization (Warisno, 2008). Human resources supported by an educational background in accounting, education and training in accounting and financial reporting, as well as experience, will be able to understand accounting logic well so that they can analyze and improve financial reports in a more comprehensive manner which cannot yet be carried out or supported through financial reporting applications.

The results of hypothesis testing show that the 3rd hypothesis that the internal control system has a positive effect on the government reporting quality is accepted. The internal control system has a positive and significant impact on the quality of financial statements prepared by government with a path coefficient of 0.305.

We may interpret that if the internal control system is getting improved, the quality of financial reports will also be better-off. This is supported by the answers of the majority of respondents who agree on each...
indicator of the internal control system. However, some respondents gave neutral answers and a small number did not agree.

The internal control system in its implementation has the goal of assuring people about the fulfillment of organizational goals in the government environment effectively. Therefore, each leader has an obligation to control internally in government activities related to the preparation of financial reports and responsibility for quality financial reports (Kartika, 2013).

Based on Government Regulation Number 60 of 2008, the internal control system is a stage for integrating attitudes and activities that are carried out on an ongoing basis and led by leaders and all employees to ensure that organizational goals can be obtained by carrying out effective activities, trusting financial reporting, safeguarding state assets and complying with laws and regulations.

In line with the perspective of agency theory, the enforcement of the internal control system is an attempt to align the actions of agents with the interests of principals. The reliability of the internal control system based on institutional theory can be seen as a manifestation of the three forms of isomorphism (normative, coercive and mimetic) in enhancing the best practice of preparing financial reports for central government entities. This finding also supports the results of research in other countries, namely Nogueira & Jorge (2012) and Agbenyo et al. (2018) that adequate internal control can optimize the quality of government financial reports in Portugal and Ghana.

The findings of this study are in line with research conducted by Susilawati (2014) and Hidayat (2014), explaining that the internal control system has a positive influence on the quality of financial reports. Likewise the findings of Syamsuar's study (2013) show that through the application of an internal control system it will optimize the reliability of financial reports as a normative requirement needed so that local government financial reports can match the desired quality.

The results of the hypothesis test show that the 4th hypothesis of the application of accrual-based accounting has a positive effect on the quality of LKKL is accepted. The internal control system has a positive and significant impact on the quality of financial reporting with a path coefficient of 0.309. This is due to the better implementation of accrual-based accounting will further improve the quality of financial reports. This was also supported by the answers of the majority of respondents who agreed and strongly agreed with the indicators for implementing common sense-based accounting. However, some respondents gave neutral answers and a small number did not agree.

In line with the perspective of agency theory, enforcing the rules for managing state finances is an attempt to align the actions of agents with the interests of principals. Whereas in the perspective of institutional theory, the existence of these regulations is classified as coercive isomorphism so that central government entities are in accordance with their institutional context. Stephen et al. (2013) explained that compliance with laws and regulations is directly proportional to the quality of financial reports.

The results of this study are in accordance with the study of Susilawati and Riana (2014), concluding that the application of accrual-based accounting has a positive effect on the quality of LKKL, so it is necessary to apply accrual-based accounting which is increasingly improving to achieve higher quality financial reports.

Government institution, especially Lhokseumawe KPPN partner work units to pay attention to the following matters in order to optimize the quality of the financial reports of state ministries/agencies. First, government entities shall enhance organizational commitment by prioritizing increasing achievement and showing a positive attitude in the work unit. Second, government institution needs to improve the internal control system by promoting the authority or method in an effort to physically secure the assets that have been determined properly. Third, bureaucratic organization must strengthen the implementation of accrual-based accounting by assessing/recording fixed assets in the amount of their income costs.

The analysis carried out in this study is limited to the work units of state ministries/agencies, especially to the Lhokseumawe KPPN partner work units. To gain a better understanding about determinants of government reporting quality, future studies may enlarge sample size. Future researchers are also expected to develop a research model by considering other variables that are becoming a phenomenon that can affect the quality of state ministry/agency financial reports, such as leadership, information technology support, and the role of internal audit. Moreover, we may consider the use of moderating variables such as aspects of good governance.
REFERENCES


