

The Effect of Accounting Staff Competence on the Quality of Financial Reporting its Impact on Local Government Performance (Survey on Local Government of West Sumatera)

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Abstract:

The problem of weaknesses of accounting staff competence becomes an important issue in producing quality financial reporting that impact the performance of the local government in Indonesia. Subjects in this study are akuntaansi staff competence, the quality of financial reporting, and performance of local government. Every SKPD will be sent each 4 questionnaire (head / director, secretary / deputy, Head of finance, and treasurer), bringing the total questionnaire sent as many as 152 pieces. To test the hypothesis of this study used regression method with intervening variables with SPSS version 20.

Empirical evidence showed that there is significant influence between accounting staff competence and quality of financial reporting on the quality of financial reporting. In the third hypothesis, empirical evidence shows no significant relationship between the competence of accounting staff of local government performance, means that the competence of accounting staff has no impact on improving local government performance. This is due to low competence of human resources who master the field of accounting. In the fourth hypothesis, the empirical evidence showed that there is significant influence between the competence of accounting staff of local government performance through the quality of financial reporting as variables

mediating / intervening. This means that the high competence of accounting staff will have a significant impact on improving local government performance through improving the quality of financial reporting.

Key words: accounting staff competence, quality of financial reporting, local government performance.

I. INTRODUCTION

In 2009 the state budget worth Rp 1,037 trillion transferred to the regions. However, these funds are not offset the flood of financial management capabilities. BPK Chairman Anwar Nasution expressed concern for the quality of local government financial statements (LLGF) worsening (July 2009: 17). The Minister Internal Affairs, Gamawan Fauzi also said that, until 2010, the financial reporting predicate WTP (unqualified) has won 32 local government both the provincial and district / city, the remainder received the title of a qualified (WDP) even disclaimer (akuntanonline.com, 9 November 2011).

According to the Chairman of the Supreme Audit Agency (BPK) Harry Azhar Aziz, the regional government is still slow in the pursuit of quality financial statements, the assessment was based on the fact that local government is still at least attained their financial statements an unqualified opinion (WTP). The cause is still inadequate quality of human resources. He said according to the data audit in 2013 of as many as 456 local government, 34 new areas which statements obtained WTP opinion. While at the central government level, 75 percent had received a WTP opinion. (Www.antaraneews.com, December 8, 2014). Opinion given on a local government reflects the quality of accountability for implementation of the budget. The development of the financial

statements of opinion obtained by the local government of the BPK over the past five years can be seen in Figure 1.1 below:

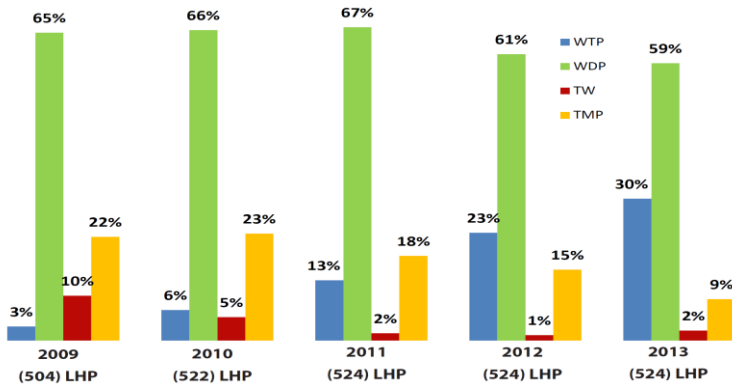


Figure 1.1 Opinion developments LLGF During 2009-2013

Developments Unqualified opinion and Disclaimer during of 2009 to 2013 ranged from 11% to 32% provided by the BPK demonstrate the effectiveness of the Internal Control System (SPI) local governments have either not optimal. Internal control weaknesses in the financial management area because of a lack of commitment to competence of staff in particular in the field of accounting. Besides the internal control weaknesses cause the quality of financial reporting, according to Muhammad Hasbi Hanis, et al., (2011) was also caused by the lack of competence of the Human Resources (HR). According Indratjahja (July, 2009: 32), low competence of human resources, both at central and local levels, which runs the field of accounting. Poor understanding of this, because of low levels of education overall human resources, do not have the educational background of accounting (James, 2006), lack of training related to the implementation of SAP is still very new. The same thing was said by Sapta Amal Damandiri and Supomo (July 2009: 20). Limited human resources issues become important issues in producing quality financial reporting that impact the performance of the local government in Indonesia.

The problems to be studied by the research background are as follows:

1. Does the competence of accounting staff to influence the quality of financial reporting.
2. Is the quality of financial reporting on the performance of local government.
3. Does the competence of accounting staff on the performance of local government.
4. Are the competence of accounting staff on the performance of local governments either directly or indirectly.

While the objectives of this research are:

1. To analyze the effect of the competence of accounting staff to the quality of financial reporting.
2. To analyze the effect of the quality of financial reporting on the performance of local government.
3. To analyze the effect of accounting staff pengaruh competence of local government performance.
4. To analyze the effect of the accounting staff competence of local government performance, both directly and indirectly.

II. LITERATURE REVIEW

2.1. Competence Staff Accounting

According Wibowo (2008: 86) competence is an ability to exercise or perform a job or task that is based on skills, knowledge and work attitude is supported by the work required. Thus, competence demonstrated the skills or knowledge that is characterized by professionalism in a particular field as something important, such as seed fields. Wu (2009) found a competency describe a capability that is linked to jobs and further defined as a combination of knowledge,

skills and attitudes in order to achieve the objectives of productive organization. Competence is positively related to individual performance. Currently, competence has been conceptualized as a measurable characteristic aspect of knowledge, skills, abilities, behaviors, and the other one has to achieve certain performance targets (Athey & Orth, 1999; Rodriguez et al., 2002).

According to COSO human resource competencies needed in the financial reporting process (Marchetti, 2012: 58) is as follows: The company retains individuals competent in financial reporting. Attributes of this principle include:

- Identifying competencies that support reliable financial reporting.
- Retaining or Employing individuals who have the required competencies.
- Evaluating competencies on a regular basis.

Competence is the knowledge, skills, and abilities needed to perform the desired behavior (Stewart and Brown, 2011: 22). A core competency is the knowledge and ability to perform certain types of activities (Yukl, 2010: 419). A core competency usually involve a combination of technical expertise and application skills.

2.2. Quality of Financial Reporting

The financial statements are an end product of the process of accounting as an ingredient in making business decisions (Gibson, 2009: 1). Quality financial information is closely related with the objective presentation of financial information (objective of financial reporting). According to Indra Bastian (2010: 297), general purpose financial reporting is to provide information regarding the financial position, performance and cash flows of an entity that is useful for a number of users (wide range of users) for making and evaluating decisions about the

allocation of resources used by an entity in its activities in order to achieve the goal. According Kieso, et al., (2012: 48) the qualitative characteristics of accounting information consists of two fundamental qualities are relevance and faithful representation. Quality consists of three fundamental relevance, namely predictive value, confirmatory value, and materiality. While the fundamental qualities faithful representation also consists of three namely completeness, neutrality, and free from error. Furthermore, to improve the fundamental quality (relevance and faithful representation) is comparability, verifiability, timeliness and understandability while according to the Government Accounting Standard No. 01 - PP 71 Year 2010 (2012: 10), Cheung, et al. (2010) and Mahmudi (2011: 106), the qualitative characteristics of financial statements required for the government to meet the desired quality is relevant, reliable, comparable, and understandable.

2.3. Local Government Performance

According Mardiasmo (2009: 121), the performance information is useful to assess the ability of organizations and managers to demonstrate how public money is spent in generating a better public service. LGs are always faced with limited resources to fund various public services to the people. The opinions above shows the performance of official information is important for the government because the information was not only reveal the achievements of related activities alone but also give an idea of the extent to which resources are used to achieve the results of the department's doing. Performance measurement is a tool to assess kesuksesan organization. In the context of public sector organizations, the success of the organization would be used to gain legitimacy and public support. The public will judge the success of public sector organizations through the organization's ability to provide public services which are

relatively cheap and quality (Mahmudi, 2010: 12). To assess or evaluate the performance of the organization, then the performance should be measured in advance. Indra Bastian (2010) describes the process of measuring the performance of the organization is done by certain methods or approaches to determine the suitability of performance has been achieved with performance criteria applied previously.

Performance measurement is critical to assess the accountability of organizations and managers to produce better public services (Mardiasmo, 2009: 121). Accountability is not just the ability to demonstrate that public money has been spent, but includes the ability to demonstrate that public money had been spent economically, efficiently and effectively. Responsibility center role is to create performance indicators as a basis for assessing performance. Its reliable performance measurement system (reliable) is one of the key factors of successful organization. A measure of performance in government organizations is multidimensional, so there is no single measure to demonstrate the performance of a comprehensive manner. One method that is commonly used for performance measurement in government organizations today are value for money approach. Mardiasmo (2009) says that one approach to measuring performance is a value for money approach, or in other words an approach based on respect for the value of money. Through this approach, the measured performance of the economical aspects and efficiency, effectiveness aspects simultaneously using a number of performance indicators such as the resources used (input), what is produced (output) and what benefits are achieved (outcome). Value for money requires the organization to meet the principles of economy, efficiency, and effectiveness of these together. In another sense, value for money requires the organization can achieve the goals set at a lower cost.

2.4. Conceptual framework

The study found that human resources play an important role as a factor of success in the world (Tome, 2011). Changes in the business environment have challenged the competence (knowledge, skills and attitudes) of the professional accountant (Barac, 2009). Research conducted by James (2006), that the financial reporting knowledge needed to succeed in the accounting profession. Furthermore, the accounting profession requires the development of skills and attitudes to succeed in accounting practices (Kattelus, 2005). While the improvement of skills and the ability to produce high quality financial reporting (Porter, 2012). Research Li and Wang (2010) and Biddle et al., (2009) that the quality of financial reporting higher can improve investment efficiency. Furthermore, high-quality financial information reduces the losses of investors (Barton and Waymire, 2004). Qualitative accounting information (relevance, completeness, understandability, reliability, timeliness, neutrality, verifiability, consistency, comparability and transparency) would strengthen confidence and empowering investors and other users (Ahmad and Khan, 2010).

According to Spencer in Moehariono (2012: 5) competence of a person related to the individual's performance on the job or have a causal relationship / cause and effect, so that the primary or superior performance in the workplace. Chin research findings and Sofian (2011) demonstrated the close connection between human capital has a positive impact on company performance. Skills and knowledge to contribute to organizational performance (Tyson, 1999). Knowledge resources is a sustainable competitive advantage for companies (De Pablos, 2003). Knowledge of human resources is considered as a key element for business success (Seth, 2009). Human capital (knowledge, special experience, skills, abilities) as a basis for the creation of the company's sustainable competitive

advantage and positively correlated to company performance (Tadic, 2010 and Cohen and Kaimenakis, 2007).

The results of the research study conducted by James (2006), that the financial reporting knowledge needed to succeed in the accounting profession. Furthermore, the accounting profession requires the development of skills and attitudes to succeed in accounting practices (Kattelus, 2005). While the improvement of skills and the ability to produce high quality financial reporting (Porter, 2012). Results of another study by Li and Wang (2010) and Biddle et al., (2009), that the quality of financial reporting higher can improve investment efficiency. Also the research conducted Ahmad and Khan (2010), Qualitative accounting information (relevance, completeness, understandability, reliability, timeliness, neutrality, verifiability, consistency, comparability and transparency) would strengthen confidence and empowering investors and other users.

2.4.1. Design Framework

Based on the theory and the results of previous research, the design of the framework can be described as follows:

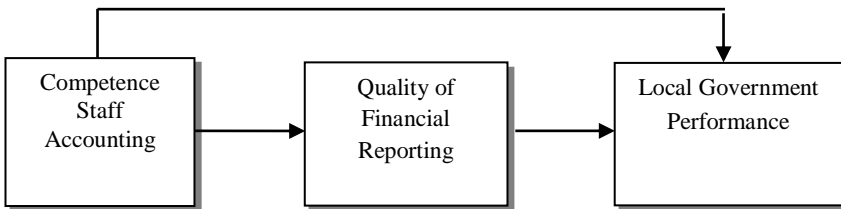


Figure 2.1 Design Framework

2.4.2. Hypothesis

Based on the framework, then the hypothesis is as follows:

1. Competence accounting staff affects the quality of financial reporting
2. The quality of financial reporting on the performance of local government

3. Competence of staff accounting effect on the performance of local government
4. Competence affect the performance of the accounting staff directly or indirectly.

III. METHODS USED

The method used in this research is explanatory. This study uses a survey to collect primary data obtained directly from the original source. That is the subject of this research is the competence of accounting staff, the quality of financial reporting, and performance of local government. To get the data of the object, do research on the organization SKPD / entities of West Sumatra province as the unit of analysis. Researchers also do not have the ability to intervene, either to control and manipulate variables, because these variables already exist or ex post facto (Cooper, 2006). Variables used in the study were classified into three variables: Competence Staff Accounting (CSA) is an independent variable, while the quality of financial reporting (QFR) an intervening variable and local government performance (LGF) as the dependent variable. Details of the operationalization of research variables consisted of sub-variables, indicators, and the measurement scale used in this study can be described in table 3.1 below:

Table 3.1 Variable Operationalization

Variable	Dimension	Indicator	Scale
Competence Staff Accounting (CSA) (Soekrisno Agoes, 2009; Robins, 2003)	Knowledge	<ul style="list-style-type: none"> • The level of formal education • The amount of training in the fields of administration and financial accounting area. • The amount of experience performing activities in the field of financial administration 	Ordinal
	Skills	<ul style="list-style-type: none"> • Applying knowledge of accounting and financial administration to work practices • The level of skill using computer application technology relating to accounting 	Ordinal
	Attitude and Ethical Behavior	<ul style="list-style-type: none"> • Integrity includes honesty, responsibility, perseverance, adaptability to change and do not corrupt in the works • Objectivity which includes adherence to accounting rules, the implementation of the work 	Ordinal

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		<ul style="list-style-type: none"> • which is based on facts and evidence in support • The level of communication to make the resolution of ethical conflicts 	
Quality of Financial Reporting (QFR) Cheung, et al., (2010), Jonas (2000), SAP No. 01 (PP No.71/2010)	Relevant	<ul style="list-style-type: none"> • predictive value • Value feedback • Timely 	Ordinal
	Reliable	<ul style="list-style-type: none"> • Can be inspected • Objective • Honest 	Ordinal
	Compared	<ul style="list-style-type: none"> • presented in several periods • compiled based on the standard format • Can show the similarities and differences • Information can be compared with the previous period • Information can be compared with other entities 	Ordinal
	Understood	<ul style="list-style-type: none"> • Use language and terms understood • Using understandable format • Using the classification of posts according to the standard accounting • Using standards-compliant accounting procedures 	Ordinal
Local Government Performance (LGF) Jenkins (2002) Mahmudi (2011)	Economic	<ul style="list-style-type: none"> • Suitability use of the budget in the form of the agency's activities beroutput not capital goods with a standard unit price • Suitability use of budgets in the agency's activities beroutput form of capital goods with a standard unit price • The utilization rate of the input 	Ordinal
	Efficiency	<ul style="list-style-type: none"> • Achievement of performance targets official activities whose output is not capital goods. • Achievement of performance targets official activities whose output is in the form of capital goods. • The rate of output targets 	Ordinal
	Effectiveness	<ul style="list-style-type: none"> • The level of vision and mission agencies by all the activities that have been implemented. • The level of achievement of all activities that have been implemented minimum service standards obligatory functions are managed • The level of achievement of the target benefit • The success rate of the target impact.. 	Ordinal

The population is the entire group, person, event or something that is interesting to be studied by researchers. The target population in this study is SKPD West Sumatra Province totaling 38 units, because the total number of only 38 units, then everything sampled. Every SKPD will be sent each 4 questionnaire (head / director, secretary / deputy, Head of finance, and treasurer). Before the research data is processed, first performed an analysis of the characteristics of each study variable, further testing of the measuring instrument research to prove whether the measuring instruments used have validity (validity) and reliability (reliability) to measure what is

supposed to be a measuring function by using responder as a measuring tool. After that dilanjtkan with descriptive statistics test and classical assumption. For testing the hypothesis by using Multiple Regression.

IV. RESULTS

Here is the distribution and return of the questionnaire obtained from the respondents.

Table 4.1 Questionnaires Distribution

	Amount	Percentage (%)
Total questionnaires sent	150	100.00
The questionnaire is not returned	30	20.00
questionnaires were returned	120	80.00
The questionnaire was incomplete filling	11	7.33
The questionnaire can be used	109	72.67

Source: Results of survey research

Here is a description of the characteristics of respondents:

Table 4.2 Demographics Respondent

No.	Position Type	Amount	Percentage (%)
1	Head of Office	21	19.27
2	Secretary	23	21.10
3	Head of Financial Dept	32	29.36
4	Treasurer Expenditure	33	30.28
	Gender		
1	Male	63	57.80
2	Female	46	42.20
	Education		
1	Senir High School	18	16.51
2	Diploma	9	8.26
3	Bachelor	50	45.87
4	Magister	30	27.52
5	Ph.D	2	1.83
	Informal Education		
1	Accounting	25	22.94
2	Non Accounting/Economics	16	14.68
3	Non Economics	68	62.39
	Experience		
1	< 1 year	5	4.59
2	1-3 years	65	59.63
3	> 3 sd. 5 years	28	25.69
4	> 5 year	11	10.09
	Total	109	100.00

The following are descriptions of each study variable based on the value titik achievements of respondents (TCR).

Table 4.3: Variable Descriptions

No.	Indicators	Amount statement items	Mean	TCR (%)	Category
Competence Staff Accounting					
1	Knowledge	4	3,16	63,21	Less
2	Skills	2	3,52	70,37	Enough
3	Attitudes and ethical behavior	7	4,27	85,37	Good
	Mean	13	3,65	72,98	Enough
Quality of Financial Reporting					
1	Relevant	9	4,17	83,40	Good
2	Understood	5	4,56	91,23	Very Good
3	Reliability	7	4,55	90,93	Very Good
4	Compared	5	4,50	89,94	Good
	Mean	26	4,44	88,88	Good
Local Government Performance					
1	Economics	5	4,34	86,73	Good
2	Efficiency	3	3,98	79,63	Enough
3	Effectiveness	8	4,12	82,43	Good
	Mean	16	4,15	82,93	Good

Before testing the hypothesis, first tested the quality of the data, using validity, reliability of data and normality test. Based on the results of testing the validity, reliability and normality has been done obtained a summary of the results as follows:

Table 4.4: Reliability Test Results

No.	Variable	Cronbachs alpha
1	Competence Staff Accounting (CSA)	0,780
2	Quality of Financial Reporting (QFR)	0,911
3	Local Government Performance (LGF)	0,789

Next for testing the normality of the dependent variable and variables can be seen in the table below 4.5 this:

Table 4.5: Normality test

One-Sample Kolmogorov-Smirnov Test

		CSA	QFR	LGF
N		35	35	35
Normal Parameters ^{a,b}	Mean	3.3054	3.3466	3.2100
	Std. Deviation	.41027	.41775	.38053
Most Extreme Differences	Absolute	.115	.122	.071
	Positive	.079	.085	.071
	Negative	-.115	-.122	-.070
Kolmogorov-Smirnov Z		.678	.724	.422
Asymp. Sig. (2-tailed)		.747	.671	.994

a. Test distribution is Normal.

b. Calculated from data.

The value of all the variables have asymp. Sig. (2-tailed) were above 0.05, it can be concluded that the accounting staff competence variable (CSA), the quality of financial reporting (QFR), and the performance of the local government (LGF) normal distribution.

4.1. Hypothesis Testing Results

Results of testing the hypothesis of a structural equation model 1 can be seen in the table below 4.6 this:

Table 4.6
t-statistics test Model 1

		Coefficients`a				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.311	.470		2.789	.009
	CSA	.616	.141	.605	4.363	.000

a. Dependent Variable: QFR

Results of testing the coefficient of determination (R^2) on a structural equation model 1, to see how far the ability of the model to explain variations in the dependent variable, can be seen in the table below 4.7 this:

Table 4.7

Test Coefficient of Determination Model 1

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.605 ^a	.366	.347	.33769

a. Predictors: (Constant), CSA

Results of testing the hypothesis of model 2 can be seen in the table below 4.8 this:

Table 4.8

t-Statistic Model 2

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.859	.413		2.082	.045
	CSA	.099	.140	.106	.705	.486
	QFR	.605	.137	.664	4.402	.000

a. Dependent Variable: LGF

Results of testing the coefficient of determination (R^2) on a structural equation model 2, to see how far the ability of the model to explain variations in the dependent variable, can be seen in the table below 4.9 this:

Table 4.9

Test Coefficient of Determination Model 2

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.733 ^a	.538	.509	.26661

a. Predictors: (Constant), QFR, CSA

The results of path analysis can be illustrated in figure 4.1 below:

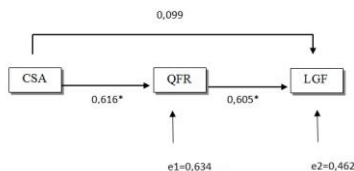


Figure 4.1 Results Path Analysis

4.2. Discussion of Results

Based on the results of statistical tests show that the competence of accounting staff to influence the quality of financial reporting. This means that the competence of accounting staff that will either improve the quality of financial reporting. The results are consistent with research conducted by Tome (2011), Barac (2009), James (2006 and Porter (2012) in which the upgrading of skills and capabilities to produce high quality financial reporting. The statistical test results showed that the quality of financial reporting on the performance of local government. This means that the quality of financial reporting will improve the performance of local governments towards the better. The results of this study are supported by research conducted by Ahmad and Khan (2010), Li and Wang (2010) and Biddle et al. (2009), that the quality of financial reporting higher can improve the efficiency of investment and research conducted by Barton and Waymire (2004), high-quality financial information that will reduce investor losses.

For the competence of accounting staff does not affect the performance of local governments. This means that the competence of accounting staff do not have a significant impact on improving the performance of local governments. The results of this study are not in line with research conducted by Chin and Sofian (2011), Tyson (1999), De Pablos (2003), Seth (2009), Tadic (2010), and Cohen and Kaimenakis (2007). This is caused by the low competence of human resources, which runs the accounting field. Poor understanding of this, because of low levels of education overall human resources, do not have the educational background of accounting (James, 2006), lack of training related to the implementation of SAP is still very new. The statistical tests show that the competence of accounting staff on the performance of local governments through the quality of financial reporting as variables mediating / intervening. This means that the high competence

of accounting staff will have a significant impact on improving local government performance through improving the quality of financial reporting. The results of that support is the research of James (2006), Kattelus (2005 and Porter (2012) in which the improvement of skills and the ability to generate quality financial reporting is high. The results of other studies that support is research Li and Wang (2010) and Biddle et al., (2009), that the quality of financial reporting higher can improve investment efficiency. Also the study conducted by Ahmad and Khan (2010), Qualitative accounting information (relevance, completeness, understandability, reliability, timeliness, neutrality, verifiability, consistency, comparability and transparency) will reinforce the confidence and empowering investors and other users.

V. CONCLUSIONS AND SUGGESTIONS

From the results of testing the hypothesis that it can be concluded that the accounting staff competence and quality of financial reporting on the quality of financial reporting but the competence of accounting staff does not affect the performance of local governments. Furthermore, a significant influence between the competence of accounting staff of local government performance through the quality of financial reporting as variables mediating / intervening. Advice can be given to local governments, especially the province of West Sumatra, need to increase the competence of accounting staff at each SKPD, especially in terms of knowledge, both in education, educational background in accounting, and also in the aspect of skill. At the local government performance needs improvement in the efficiency. For data retrieval media questionnaires have weaknesses that cause refraction perceptual and the number of samples submitted is still relatively small and the populations used also only SKPD West Sumatra province alone, so that the

narrowness of the population used in this study, can not be generalized to the maximum, because the research will be expected to extend the study population. Subsequent studies also need to add some other variables such as: internal control, financial information systems area, the role of internal oversight, the role of external audit, organizational culture, and leadership, so as to find a better research model.

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