Analysis of The Effect of Internal Control, The Quality of Human Resources and The Application of Accrual Basis on The Quality of Financial Statements in The Regional Government of Papua Province

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ABSTRACT

This study aims to simultaneously analyze the effect of internal control, the quality of human resources, and the application of accrual bases on the quality of financial statements. This research uses a quantitative approach with a descriptive research paradigm, which emphasizes measuring research variables with numbers and conducting data analysis with statistical procedures. The purpose of this descriptive research is to test hypotheses or answer questions related to the current status of the subject under study, which can involve individuals, organizations, industries, or other perspectives. The results showed that internal control, the quality of human resources, and the application of accrual basis together have a significant positive effect on the quality of regional financial statements. Therefore, optimizing internal supervision, increasing the competence of human resources in accounting or finance, and implementing an accrual basis in each OPD in Papua Province can simultaneously improve the quality of local government financial statements.

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1. INTRODUCTION

The central and local governments carry out their duties through laws and regulations, collecting revenue from the people for the provision of services, development, and other activities. Local governments have autonomy authority in development affairs. Financial management, including the preparation of accountability and supervision of Regional Finance, is regulated in Government Regulation No. 58 of 2005. Regional autonomy, by law, has undergone a shift towards participatory decentralized authority, which has resulted in reforms in regional financial management since the implementation of broad autonomy in 2001 [1].

To fulfill accountability in the administration of government in accordance with Law Number 17 of 2003 and Law Number 9 of 2015 concerning Regional Government, the central and regional governments submit financial statements. The report must be in accordance with Government Accounting Standards and timely principles, regulated by Government Regulation Number 71 of 2010. After being audited by the Audit Board (BPK), financial
Financial statements are prepared to provide relevant information about an entity's financial position and transactions during a reporting period, used to compare revenue realization, expenditures, transfers, and financing with budgets, assess the financial condition, effectiveness, and efficiency of the entity, and determine regulatory compliance. Local government financial statements must meet qualitative characteristics such as relevant, reliable, comparable, and understandable in accordance with Government Regulation No. 71 of 2010 concerning Government Accounting Standards. The quality of government financial statements is closely related to Government Accounting Standards (SAP) as a reference to ensure the conformity and adequacy of information in Local Government Financial Statements (LKPD).

SAP, regulated by Government Regulation Number 71 of 2010, consists of a Statement of Government Accounting Standards (PSAP) based on the Government Accounting Conceptual Framework. PSAP is the accounting principles for preparing and presenting government financial statements. The quality of government financial statements depends on the implementation of SAP, Accounting Policies, Utilization of Information Technology (IT), and especially the quality of Human Resources (HR). The process of preparing financial statements requires competent human resources in government accounting and government organization to produce quality reports. The quality of human resources is reflected in their skills, knowledge, and abilities.

Research on the Padang Pariaman Regional Government shows that the implementation of accrual-based accounting has a positive effect on the quality of financial statements, in contrast to Pirani's (2023) research at SKPD Bantul Regency which states that the application of accrual-based government accounting standards does not affect the quality of financial statements. The difference in the author's research lies in the location, subject, and quality variables of...
human resources, while the similarities lie in the analytical techniques used [6].

The quality of human resources, with adequate competence, is essential to achieve the highest performance in carrying out duties in government entities. Research on the Cimahi City Government shows that the quality of human resources has a positive effect on the quality of local government financial statements. However, research in Padang Pariaman District states that the quality of human resources does not have a significant effect on the reliability of financial reporting. The difference in research lies in location and subject, while the similarities are variables of HR quality, internal control, and research data analysis techniques [7].

The Financial Statements of the Regional Government of Papua Province since 2018 are accrual-based and have received an Unqualified Fair Opinion (WTP) from BPK until 2022. However, in 2020, BPK gave a disclaimer opinion on the financial statements of the Papua Provincial Government, with the management of regional assets, cash, and revenues affecting the assessment. In 2023, the CPC Opinion decreases to Reasonable with Exception (WDP), indicating the lack of effectiveness of Human Resources in implementing SAP compliant Applications. Human Resources required for the preparation of financial statements in OPD are still ineffective and have an impact on the quality of the Consolidated Financial Statements assessed by BPK.

2. LITERATURE REVIEW

2.1 Agency Theory

Agency theory, introduced by M. C. Jensen and W. H. Meckling in 1976, explains the relationship between shareholders and managers through contracts. This theory assumes that organizational performance is determined by effort and environmental influences. Shareholders are considered risk neutral, in contrast to managers who tend to be risk averse. In agency theory, public accountability is the agent's obligation to provide accountability to principals. Financial reporting practices in the public sector reflect this concept, where the government as an agent is responsible for providing useful information to principals. The implications of agency theory are related to research variables such as internal control, human resource quality, application of accrual base, and quality of regional financial statements.

Public accountability, the party given the trust (agent) has an obligation in the form of responsibility to report, record and disclose all activities and activities that are his responsibility to the principal as the trustee where the principal has the right to collect it. Public accountability is divided into two, namely: 1) vertical accountability, which is a form of responsibility for the use of funds to higher parties, and 2) horizontal accountability, which is a form of responsibility for the use of funds to the wider community.

2.2 Theoretical Framework

Internal control, quality of human resources, and implementation of PP No. 71 of 2010 are expected to contribute to quality financial statements. This study aims to examine the effect of these independent variables on the quality of local government financial statements. The research model uses the following framework of thinking:
2.3 Hypothesis

1. The Effect of Internal Control, Human Resources Quality and Application of Base Accruals on the Quality of Financial Statements

The new local government accounting system already regulates this accrual-based accounting. Financial statements presented if they meet the characteristics of reliable financial statements mean that the financial statements contain information that is presented honestly and fairly. The effectiveness of the internal control system is needed to assist organizational activities in making objective and accountable decisions. In addition, the use of technology also plays an important role in the timeliness of presenting financial statements and the process of managing data. The better the level of technology used, the quality of the financial statements produced is also of higher quality.

Human resource competence is the ability of individuals to do a job. With the competence of good human resources, it can save time making financial reporting. Quality resources are needed to produce quality financial statements. From the description above, the following hypothesis is formulated:

H1: Internal control, quality of human resources and application of accrual basis affect the quality of financial statements.

2. The Effect of Internal Control on the Quality of Local Government Financial Statements

The main purpose of internal control in this broad sense is not only to carry out verification actions, but also intended to assist supervised parties in performing their duties better. In the organizational structure of the Indonesian government, the internal control function is in a broad sense carried out by the Financial and Development Supervisory Agency (BPKP) and the Inspectorate General of Development (Irjenbang). From the description above, the following hypothesis is formulated:

H2: Internal control affects the quality of financial statements.

3. The Effect of Human Resource Quality on the Quality of Local Government Financial Statements

According to human resources are an influential factor on the readiness and effectiveness of the implementation of the regional financial accounting system [11]. Therefore, competence is the knowledge and expertise needed to complete a task. Adequate human resource competence in terms of quantity and quality will increase the content of information value in local government financial reporting. From the description above, the following hypothesis is formulated:

H3: The quality of human resources affects the quality of financial statements.

4. The effect of the application of base accrual on the quality of
local government financial statements

Changes in the accounting base from a cash basis to an accrual basis are expected to provide benefits related to cost determination information in the context of cost saving programs as well as information on assets so as to provide accurate information related to increasing revenue (revenue generating). The implementation of accrual-based accounting is expected to increase accountability, sustainability, provide a better measurement basis related to the impact of government policies, increase organizational efficiency and effectiveness and encourage increased integrity. Accrual-based accounting frameworks are very important to systematically determine the total cost of government activities which ultimately plays an important role in achieving a more efficient and effective public sector performance management framework.

H4: Application of Base Accrual affects the quality of financial statements.

3. METHODS

This research is quantitative, focusing on measuring variables by statistical analysis. Using a descriptive approach, this study aims to test hypotheses or answer questions related to the current status of research subjects, generally related to opinions, events, or procedures. The nature of this research is descriptive with a quantitative approach. Descriptive research is research that aims to descriptive the data collected in order to solve research problems. Quantitative research is a process of finding knowledge that uses data in the form of numbers as a tool to analyze information about what you want to know where the data collected in the form of numbers is then analyzed and described to get true and accurate conclusions.[12] This research was conducted at the Regional Apparatus Organization (OPD) of Papua Province. The early research period is carried out for 3 months, starting from November 2023 to January 2024.

Population

According to, population refers to a whole group of people, events, or things of interest that researchers want to investigate. The population in this study is the Financial Administration Officer and Regional Apparatus Organization (PPK-OPD) of the Papua Provincial Government [13].

Sample Size Determination Technique

According to a sample consists of a number of members selected from the population, in other words some but not all elements of the population make up the sample. [13] The sample in this study was 98 people with provisions from each OPD consisting of 3 people. Samples are selected based on certain criteria so as to support this study. The sample criteria used in this study are:

- The research respondents were structural officials and officials who carried out accounting or financial administration functions in each service at SKPD. The limitation of research objects in the agency is based on the aspect of ease in reaching the information needed, so that data collection is expected to be easy, effective, efficient and economical;
- Respondents have a minimum service period of one year in the period of preparing financial statements.

Sampling Techniques and Data Sources

The study used a non-probability sampling technique. According to, in non probability sampling, elements in the population do not have any inherent probability of being selected as sample subjects. The sampling technique used is purposive sampling. According to, sampling in purposive sampling is limited to certain types of people who can provide the desired information, either because they are the only party who owns it, or those who meet some of the criteria used by the researcher [13][13].

Based on the sampling technique used, the samples used in this study were the Financial Administration Officer of the Regional Equipment Organization (PPK-
OPD) and the Accounting Section at the Regional Finance and Asset Management Agency of the Papua Provincial Government. The number of OPDs in Papua Province is 35 OPDs consisting of 5 Bureaus, 8 Offices, 15 Agencies, 3 Hospitals, 1 Inspectorate, 2 Secretariat, and Civil Service Police Units and Regional Disaster Management. The sample in this study was 105 respondents with each OPD used as many as 3 people who played an active role in preparing financial statements, namely the head of OPD, secretary and treasurer.

The data used in this research are primary and secondary data. The primary data source was obtained directly through the distribution of questionnaires, which were the main data collection tool in the study. The questionnaire contains questions and statements related to internal control, the quality of human resources, the application of accrual bases, and the quality of financial statements at the Regional Apparatus Organization of Papua Province. As for secondary data obtained from such as library books, theses, journals, and related documents, used as supporting data. Secondary data is obtained not directly, but rather through documents or from other people. Secondary data sources are used to support the analysis of the effect of internal control, the quality of human resources, and the application of base accruals on the quality of financial statements of the local government of Papua Province.

Data Collection Methods
Data collection methods are the steps taken to obtain the necessary information through a specific tool or instrument. The quality of the data is highly dependent on the tool or instrument used. In this study, the data collection method was carried out using:

Field Studies
Observation
Observation is also called observation, which includes monitoring an object using all sensory devices. This observation was made to obtain a real picture of the location of the study, in this case the Regional Apparatus Organization of Papua Province.

Questionnaire
Questionnaire is a data collection technique carried out by providing written questions to respondents to answer. Questionnaire is a data collection technique in which the researcher certainly knows the variables to be measured and what can be expected from respondents. Likert scales are used to measure the attitudes, opinions, and perceptions of a person or group towards social phenomena. The score criteria for alternative answers on each item are as follows:
1) Score 1 for strongly disagree answers
2) Score 2 for disagree answers
3) Score 3 for disagreeing answers
4) Score 4 for affirmative answers
5) A score of 5 for the answer strongly agrees

Library research is a research tool to examine research objects used as secondary data through theories that have been tested for truth, where this data is obtained through documents, books or scientific writings that are related to the author's research friends, with the intention of complementing primary data in the field (Sugiyono, 2019).

Data Analysis Methods
Data Quality Test
Validity Test
According states that the validity test is used to determine the feasibility of items in a list of statements in defining a variable. This list of statements generally supports a particular group of variables. A questionnaire is said to be valid if the questions in the questionnaire are able to reveal something that the questionnaire measures. Validity testing can be done with the help of the SPSS program. Testing a data can be declared valid if the $r$-count which is the value of the Corrected Item Total Correlation is greater than the $r$-table at a significance of 0.05 (5%) [14].
Reliability Test

According also states that the reliability test is a measure of the stability and consistency of respondents in answering things related to statement constructs which are dimensions of a variable and are arranged in a form of questionnaire. Reliability testing aims to ascertain whether the existing data has been measured correctly and does not contain material errors from the measured data, the measurement process, or the measurements used itself. A questionnaire is said to be reliable if a person's answers to statements are consistent or stable over time. Data processing is carried out using SPSS. Data reliability tests can be performed with the Cronbach Alpha ($\alpha$) statistical test. A variable is reliable if it gives a Cronbach Alpha value of $> 0.60$.

Classical Assumption Test

Normality Test

The normality test is performed to determine whether in the regression model the independent and dependent variables are normally distributed or not. The presence of a normal or near-normal distribution is a good regression model. Normal or not, research data needs to be tested for normality using graph analysis. The graphs used are Histogram and Normal Probability Plot which is a comparison of observation data with a normally distributed distribution. [15]Decision making based on:

1. If the spread of data is around a diagonal line by following the direction of the diagonal line or its histogram graph means that the pattern is distributed normally, thus the regression model satisfies its normality assumption.
2. If the spread of data moves away from the diagonal and does not follow diagonal lines or histogram graphs, it means that the pattern is not normally distributed, so the regression model assumes normality is not fulfilled [15].

Multicollinearity Test

The multicollinearity test was carried out to test whether the regression model found a correlation between independent variables (Ghozali, 2019).

1. If the tolerance value $> 0.10$ and VIF $< 10$, it can be interpreted that there is no multicanonicity in the study.
2. If the tolerance value $< 0.10$ and VIF $> 10$, then there was a multicollinearity disorder in the study.

Heteroscedasticity Test

The purpose of heteroscedasticity testing is intended whether in the regression model there is an inequality of variance from residuals. If the variance from one observation to another observation remains, it is said to be homokedastic but if it is different it is said to be heteroscedastic (Ghozali, 2019). Regression models are said to be good if homokedastic or not heteroscedastic occurs. The occurrence of heteroscedastic if there is a similarity in the standard deviation of the value of the dependent variable on the independent variable. As a result, the variance of the regression coefficient is minimum and higher than the confidence interval, which causes the test results to be invalid. To detect the presence or absence of heteroscedasticity, there are several ways, namely looking at the plot graph between the predicted value of the dependent variable and its residual. The presence or absence of heteroscedasticity can be detected by looking at the presence or absence of certain patterns on the scatterplot chart.

1. If there is a certain pattern, such as the formation of certain pattern points regularly (wavy, widening then narrowing), it means that heteroscedasticity is indicated.
2. If there is no clarity of the pattern, as well as the spread of points above and below the number 0 and the Y-axis, it means that heteroscedastic is not indicated.

Double Regression Analysis

To test the hypothesis in this study, multiple regression analysis methods were used. Where this analysis method is a statistical method used to test the relationship
between several independent variables against one dependent variable. The multiple regression model in this statement is expressed as follows:

\[ Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e \]

Information:
Y = Quality of Local Government Financial Statements
b0 = Constant
X1 = Intern handling
X2 = HR Quality
X3 = Application of Base Accruals
b1, b2, b3 = Koefisien Regresi
e = Error

Uji Hypoplast
T Test

The influence of the independent variable on the dependent variable partially (individually) can be done using a partial test (t test). The basis of the test can be explained as follows:

Ho: \( \beta_1 = 0 \), meaning that partially (individually) the independent variable has no influence on the dependent variable.

Ha: \( \beta_2 \neq 0 \), meaning that partially (individually) the independent variable has an influence on the dependent variable.

The determination criteria used are:
1. 1. If probability < \( \alpha = 0.05 \) Ha is accepted
2. 2. If the probability of > \( \alpha = 0.05 \) Ha is rejected.

### Coefficient of Determination Analysis (R2)

The coefficient of determination is used to see how much the independent variables together are able to provide an explanation of the dependent variable where the value of R2 ranges from 0 to 1 (0 ≤ R2 ≤ 1). The greater the value of R2, the greater the variation of the dependent variable that can be explained by the variation of independent variables. Conversely, if R2 is small, then the smaller the variation of the dependent variable that can be explained by the independent variable [15].

### 4. RESULTS AND DISCUSSION

#### 4.1 Validity Test Results

The validity test is carried out to test the validity or validity of question items on internal control variables, HR quality, accrual base application, and financial statement quality. By using 98 respondents as a research sample, the question item will prove valid if the value of the rcalculate > r table. The calculated value can be seen in the Correlation table, while the table r value of degree of freedom (df) = n - 2, then df = 96 and the confidence level of \( \alpha = 0.05 \) is obtained at 0.198. The results of the validity test of research instruments, as tabled in Table 1, show that the calculated value of all research instruments is greater than the rtable (0.196).

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Question Item</th>
<th>r Calculate</th>
<th>r Table</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Intern handling (X1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>1</td>
<td>0.809</td>
<td>0.198</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td>0.847</td>
<td>0.198</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>0.721</td>
<td>0.198</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
<td>0.656</td>
<td>0.198</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td>0.658</td>
<td>0.198</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6</td>
<td>0.722</td>
<td>0.198</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7</td>
<td>0.766</td>
<td>0.198</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8</td>
<td>0.733</td>
<td>0.198</td>
<td>Valid</td>
</tr>
<tr>
<td>2</td>
<td>HR Quality (X2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td></td>
<td>0.730</td>
<td>0.198</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td></td>
<td>0.637</td>
<td>0.198</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td></td>
<td>0.423</td>
<td>0.198</td>
<td>Valid</td>
</tr>
</tbody>
</table>

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Reliability Test Results

Reliability testing was carried out with Cronbach’s Alpha statistical test [16].

Table 2. Reliability Test Results

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Cronbach Alpha</th>
<th>Border Reliability</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Intern handling (X1)</td>
<td>0.779</td>
<td>0.60</td>
<td>Reliable</td>
</tr>
<tr>
<td>2</td>
<td>HR Quality (X2)</td>
<td>0.744</td>
<td>0.60</td>
<td>Reliable</td>
</tr>
<tr>
<td>3</td>
<td>Application of Base Accrual (X3)</td>
<td>0.768</td>
<td>0.60</td>
<td>Reliable</td>
</tr>
<tr>
<td>4</td>
<td>Quality of Financial Statements (Y)</td>
<td>0.757</td>
<td>0.60</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: Processed Data, 2023

The results of the reliability test of research instruments, as tabulated in Table 2, show that the value of Cronbach’s Alpha of all research instruments is in the range of 0.744 – 0.779 and is greater than the minimum required value (0.60). Based on the results of reliability tests, all research instruments used to measure each variable are declared valid and reliable. So, research questionnaires can be used for data collection. Next, the data obtained are tabulated and analyzed.

Classic Assumption Test Results

Classical assumption testing is performed to meet statistical requirements in multiple linear analysis based on (Ordinary Least Squares) OLS. The classical assumption
test of this study consists of a normality test, a multicollinearity test and a heteroscedasticity test. The test results are expected to prove that the independent variables are normally distributed and do not have multicollinearity properties and the error component ($\varepsilon$) does not have heteroscedasticity properties.

Normality Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Tolerance</th>
<th>BRIGHT</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intern handling (X1)</td>
<td>0.702</td>
<td>1.424</td>
<td>Not happening</td>
</tr>
<tr>
<td>HR Quality (X2)</td>
<td>0.632</td>
<td>1.582</td>
<td>Not happening</td>
</tr>
<tr>
<td>Application of Base Accrual (X3)</td>
<td>0.639</td>
<td>1.564</td>
<td>Not happening</td>
</tr>
</tbody>
</table>

Source: Processed Data, 2023

Statistical tests were performed using the Kolmogorov-Smirnov (K-S) nonparametric statistical test. Data testing using One Sample Kolmogorov-Smirnov Test by looking at the significance level of 5%. The basis for decision making in the normality test is to look at the probability of asymp.sig (2-tailed) which is greater than 0.05 then the data can be said to be normally distributed and, if asymp.sig (2-tailed) is smaller than 0.05 then the data is abnormally distributed. Shown in Table 3 above, the test results show the sig value. (2-tailed) > $\alpha$ (0.576 > 0.05). Thus, it can be concluded that through statistical tests it is proven that residual data is normally distributed.

Multicollinearity Test Results

Multicollinearity testing is carried out to test whether in the regression model there is a correlation between independent variables. The multicollinearity test is carried out by looking at the Tolerance value and VIF value. Based on Table 4 above, it shows that the independent variable has a Tolerance value greater than 0.10 and in the range of 0.632-0.702 which means there is no correlation between independent variables whose value is more than 95%. The results of the VIF calculation also show the same thing, all independent variables have a VIF value smaller than 10 and in the range of 1.424-1.582, it can be concluded that there is no multicollinearity problem in the model. ([15])

Hypothesis Testing Results

The results of testing classical assumptions have proven that independent variables do not have the property of multicollinearity and the error component ($\varepsilon$) does not have the property of heteroscedasticity and is normally distributed. That is, the statistical
requirements for the use of multiple linear regression analysis methods have been met. The next stage analyzes the results of hypothesis testing. The hypothesis of internal control, the quality of human resources and the application of accrual bases have a simultaneous and partial effect on the quality of financial statements. Hypothesis testing is done through statistical test F to see simultaneous influence and statistical test t to see partial influence.

### Coefficient of Determination (Adjusted R Square)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.860*</td>
<td>.714</td>
<td>.692</td>
<td>3.81679</td>
<td>1.753</td>
</tr>
</tbody>
</table>

*Predictors: (Constant), Application of Base Accrual, Internal Control, HR Quality

*Dependent Variable: Quality of Financial Statements

*Source: Processed Data, 2023

From Table 5 above, the Adjusted R Square value of 0.692 means that the variables of internal control, quality of human resources and the application of base accrual as independent variables are 69.2%, while the remaining 30.8% can be explained by other variables that are not included in the model. Regression models lack accuracy in predicting dependent variables because the adjusted values of R2 are $0.50 \leq R^2 [15]$.

### Statistical Test Results t

The results of statistical testing t (partial test) on internal control, the quality of human resources and the application of accruals to the quality of financial statements obtained the results of:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Say.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>13.034</td>
<td>4.471</td>
<td>.2915</td>
<td>.004</td>
</tr>
<tr>
<td>Intern handling</td>
<td>.349</td>
<td>.194</td>
<td>.253</td>
<td>2.524</td>
</tr>
<tr>
<td>HR Quality</td>
<td>.415</td>
<td>.126</td>
<td>.354</td>
<td>3.297</td>
</tr>
<tr>
<td>Application of Base Accrual</td>
<td>.482</td>
<td>.211</td>
<td>.244</td>
<td>2.287</td>
</tr>
</tbody>
</table>

*Dependent Variable: Quality of Financial Statements

Based on the test results in table 6 above, the decision-making criteria use a significance value of t at a real level of 5% and a table value of 1.984, then partially the influence of each independent variable on the dependent variable is described as follows:

1. The internal control variable has a calculated value of 2.524 greater than the table of 1.984, a significance level of 0.001 smaller than $\alpha = 0.05$, so it can be concluded that the internal control variable has a significant positive effect on the quality variable of regional financial statements.

2. The HR quality variable has a calculated value of 3.297 greater than $t$ table 1.984, a significance level of 0.001 smaller than $\alpha = 0.05$, so it can be concluded that the HR quality variable has a significant positive effect on the quality...
variable of regional financial statements.

3. The variable of application of base accrual has a calculated value of 2.287 greater than ttable 1.984, a significance level of 0.024 smaller than α = 0.05, so it can be concluded that the variable application of base accrual has a significant positive effect on the quality variable of regional financial statements.

4. The accountability variable has a dominant influence on local government performance with a standardized coefficient value of 0.549 (54.9%), while the SIPD variable has the lowest influence with a standardized coefficient value of 0.252 (25.2%).

Yield Distribution

1. The Effect of Internal Control on the Quality of Regional Financial Statements

The variable frequency test of internal control in OPD Papua Province showed good results with an average answer of 4.15 (affirmative category). The effect on the quality of regional financial statements was tested with statistical test t, found significance of 0.012 (α = 0.05) with a regression coefficient of 0.349. This shows that internal control has a significant positive effect on the quality of regional financial statements, in line with research. Based on the results of the analysis, internal control has a positive and significant effect on the quality of local government financial statements. [17] These results show that research respondents argue that optimal internal control will have implications for improving the quality of local government financial statements. Internal control has fulfilled its function in terms of providing adequate assurance about the reliability of financial statements, compliance with laws and regulations and the effectiveness and efficiency of operations.

Internal control is a significant factor affecting local government financial statements. Conversely, BPK often gives unnatural opinions to city/regional LKPD in Indonesia due to lack of internal control. However, the LKPD of Papua Province received an Unqualified Fair opinion for five consecutive years (2017-2021), showing the good category of internal control there. Improved internal control of local governments can improve the quality of financial statements. Accurate and consistent data integrity is the primary responsibility of an organization in exercising internal control. In addition, the accuracy of input and posting of financial data is very fundamental in ensuring the quality of the presentation of an organization’s accountability report. The existence of an authorization system and restrictions on access to all forms of transaction processing by authorized parties will ensure that financial data in an organization remains safe. The implementation of formulation in the preparation of healthy policies on internal control is needed as a support for the implementation of internal control in an organization. In the end, every measurement tool of internal control that is implemented optimally will have implications for improving the quality of presentation of an entity’s accountability report in this case to the Regional Apparatus Organization (OPD) of Papua Province.

In ISA-based auditing, there are five types of entity control: control environment, risk assessment, information and communication systems, control activities, and monitoring. The results of questionnaires from 35 OPDs in Papua Province show that there is a lack of risk assessment and lack of periodic checks and commitments that are not monitored periodically. This condition is not balanced with conducive leadership, where OPD leaders do not always conduct surprise checks. This requires good leadership rules, socialized to all employees to encourage better implementation. Furthermore, the control system that is not carried out by OPD in terms of its control environment is that there is inadequate separation of duties. It is necessary that the organizational structure is
designed according to the needs with the provision of duties and responsibilities to employees appropriately to the established structure, it is necessary to periodically analyze the appropriate form of structure. To establish comfortable conditions as mentioned, a good control environment must have conducive leadership. Conducive leadership is defined as a situation where the leader always makes decisions based on data from risk assessments. Based on this conducive leadership, there is an obligation for leaders to conduct risk assessments in their agencies.

2. The Effect of Human Resource Quality on the Quality of Regional Financial Statements

The results of the frequency test on the variable quality of human resources in OPD Papua Province showed good results, with the average answers of respondents in the affirmative category. The quality of supporting human resources in OPD is in accordance with the needs of local governments, which has the potential to improve the quality of reports prepared. Testing the effect of HR quality variables on the quality of regional financial statements shows that education and training variables have a significant positive effect on the quality of regional financial statements. The results of this study are in line with other studies that state that the quality of competent human resources in accounting or finance can improve the quality of presenting local government financial statements in Papua Province.

Human resource capacity, measured through education, responsibility, training, and experience, is the main determinant of the quality of financial statements. Data shows that financial management employees have S1 education, considered adequate. The level of responsibility and adherence to the guidelines for capacity building, and the results of hypothesis testing show that human resource capacity affects the quality of the financial statements of the Papua Provincial Government.

Financial statements, as a result of human resource work, require competent labor in the field of accounting to improve their quality. This support is in accordance with stewardship theory which emphasizes
that human resources oriented to the interests of the organization will increase their competence to achieve organizational goals. Human resources who have expertise can complete their tasks well to achieve organizational goals. Competence comes not only from education, but also from training held by local governments. Education and training play a key role in improving the competence of human resources.

3. The effect of the application of base accrual on the quality of regional financial statements

The results of the frequency test regarding the application of base accruals in the Regional Apparatus Organization (OPD) of Papua Province showed a good level of approval, indicating the conformity of financial reporting with existing procedures. The statistical test t proves that the application of partial base accrual has a significant positive effect on the quality of regional financial statements. This means that the application of accrual basis in each OPD in Papua Province can improve the quality of local government financial statements. These results are consistent with previous research and suggest that accrual-based accounting standards can improve the quality of local government financial reporting. Although some employees do not fully understand the accrual-based Government Accounting Standards (SAP), more intensive training is expected to improve their understanding and ability, a positive contribution to the quality of local government financial statements, especially in Papua Province.

A government that applies government accounting standards will produce financial statements that are indispensable in the government environment. In this study, local governments are agents who are mandated to submit financial statements. In accordance with the mandate of the law that the financial statements must be prepared on an accrual basis so that the level of application of accrual accounting in regional apparatus can be one of the benchmarks of government accountability as an agent to the community as a principal. The implementation of government accounting standards that are carried out properly and consistently will make all activities in local governments run effectively and efficiently, this shows that the application of government accounting standards appropriately and consistently will have a positive impact on the quality of regional financial statements. The application of government accounting standards in financial statements is expected to all run in a structured manner and in accordance with applicable guidelines so that quality and accurate financial statements will be produced, especially financial statements whose existence is very important and needed as a form of government accountability.

5. CONCLUSION

From data analysis, hypothesis testing and research discussion, several conclusions can be drawn:

1. Internal control has a significant positive effect on the quality of regional financial statements. This means that, with optimal internal supervision, it will improve the quality of local government financial statements.

2. The quality of human resources has a significant positive effect on the quality of regional financial statements. That is, human resources who have competence in accounting or finance who fill positions or positions in a government agency will improve the quality of making local government financial statements.

3. The application of base accrual has a significant positive effect on the quality of regional financial statements. This means that by applying the accrual basis for each OPD in Papua Province, it will improve the quality of local government financial statements.
SUGGESTION

Here are suggestions for various parties related to the results of research data analysis:

1. The local government of Papua Province is expected to improve the reliability of financial statements because presenting financial statement information fairly and not in favor of the needs of certain parties is not an achievement but an obligation.

2. The Regional Apparatus Organization (OPD) of the local government of Papua Province, is expected to be able to compile regional financial statements in a transparent and accountable manner in order to increase the complexity of presenting information in local government financial statements so that they can meet the qualitative characteristics as mentioned in PP No. 71/2010, namely relevant, reliable, understandable and comparable.

3. Further research can add research variables to test these variables against the quality of local government financial statements. Variables that were not included in this study such as the application of government accounting standards, information technology developments, accounting information systems, internal audits and other variables that might affect the quality of local government financial statements.

REFERENCES


