

Analysis of factors affecting the quality of Bintan District government financial reports

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Abstract

Purpose: This study aims to analyze and provide empirical evidence regarding the influence of Fixed Asset Administration, Human Resource Competency, and Regional Government Accounting Systems on the Quality of Government Financial Reports with the Government's internal control system as a moderator.

Research methodology: This study used primary data using a quantitative approach. The primary data collection method was a questionnaire that was measured using a Likert scale.

Results: The test results show that Fixed Asset Administration has a significant effect on the Quality of Regional Government Financial Reports with a P-Value of $0.000 < 0.05$.

Limitations: This study analyzes the limitations of the format used by the Bintan District Government for financial reports and how it impacts their quality.

Contributions: This study investigates the factors affecting the quality of financial reports produced by the Bintan district government. By analyzing these factors, this study aims to provide valuable insights that can guide efforts to improve the quality of financial reporting in the district.

Practical Implications: The findings of this study can be used by policymakers and practitioners to develop strategies to enhance financial reporting quality in Bintan District. This study can also serve as a guide for other local governments seeking to improve their financial reporting practices and standards.

Novelty: This study is unique in its focus on the Bintan district government and its efforts to identify factors that influence financial reporting quality.

Keywords: *Financial Reports, quality, Bintan District, Government, Accountability*

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1. Introduction

Regional Government financial reports are prepared in the framework of accountability for the realization of the Regional Revenue and Expenditure Budget for the current year in accordance with the applicable regulations. According to Government Regulation Number 71 of 2010, quality Regional Government Financial Reports are relevant (relevance), reliable (reliability), understandable (understandability), and comparable (comparability).

The Fixed Asset Administration is an inseparable part of the process of preparing Regional Government Financial Reports. Based on the Semester Examination Overview Report (IHPS) of the Financial Audit Agency (BPK) for Semester 1 of 2022, there are several reasons why a Regional Government does not obtain a Fair Without Exception (WTP) opinion because there are problems that affect the fairness of the presentation of regional government financial reports, including:

1. In the Current Assets Account, there were findings, including cash shortages in the Expenditure Treasurer, which had not been recovered by deposits to the regional treasury. The balance of rural and urban land and building tax receivables (PBB P2) was invalid, and verification and validation were not completed.
2. For fixed asset accounts, there are findings that recording the fixed assets of land, equipment and machinery, buildings and structures, roads, irrigation, and networks has not been carried out or is inaccurate. In addition, renovation, rehabilitation, and other costs after the acquisition of fixed assets have not been capitalized into parent fixed assets.
3. Capital Expenditure Account: There are findings of excess capital expenditure payments that occur due to lack of work volume, non-compliance with work specifications, work not carried out, payment exceeding work performance, and indications that price overpayments have not been recovered by deposits to the regional treasury, as well as the realization of land capital expenditure for land compensation implemented not in accordance with the provisions.
4. Furthermore, there are also examples of problems related to weaknesses in the Accounting Control and Reporting System that occur in Regional Governments in the form of records that have not been carried out or are inaccurate in the form of inventories that have not been recorded, double recording of supplies of medicines and consumable medical materials (BMHP), recording of land fixed assets not yet equipped with land area information, land certificate number, land designation information still presented at IDR 1.00, and land assets under roads, irrigation, and networks have not been presented.

One effort to assess the quality of a Regional Government Financial Report can be reflected in the opinion of the Financial Audit Agency (BPK) on the Regional Government Financial Report. The Bintan Regency Government received an Unqualified Opinion (WTP) on the presentation of Regional Government Financial Reports 12 times (12x) in a row from 2011 to 2022. However, an unqualified opinion does not guarantee that the Regional Government has been completely free from any findings in the Regional Government Financial Report. The Audit Result Report (LHP) by the Financial Audit Agency consists of three books: Book 1 for the Regional Government Financial Principal Report, Book 2 for the Government Internal Control System Implementation Report (SPIP), and Book 3 for the Compliance Report with Legislation. Every year, findings always emerge regarding the implementation of the Bintan Regency Government's Internal Control System, both in terms of expenditure and the administration of fixed assets. Apart from that, the Regional Government Accounting System used by the Bintan Regency Government has not yet been integrated; of course, this is a concern that cannot be ignored in supporting the preparation of quality Regional Government Financial Reports.

In the Bintan Regency Government, there are still several phenomena related to the preparation of Regional Government Financial Reports as the focus of problem identification in this research:

- 1 There are still findings related to the Government Internal Control System (SPIP) and Compliance with Legislation regarding the results of the BPK Audit of the Bintan Regency Government Financial Reports.
- 2 There are still obstacles in the process of administering Regional Property of the Bintan Regency Government, both from the completeness of supporting documents for Capital Expenditures, details of goods spent, budgeting errors, and the movement of data on Regional Property (both mutations between OPDs, additions to other sources, assets under capitalization, and asset write-off values) that need to be prepared manually by the Regional Property (Asset) Management Division so that they can be journalized by the Bintan Regency BKAD Accounting Division.

- 3 The Regional Government Accounting System used by the Bintan Regency Government has not yet been integrated, so that every time there is data movement, it requires tracing and identification, which, of course, takes time and energy. In addition, each application has a different working pattern and sometimes there are errors/troubles, which require further analysis regarding the causes and how to resolve them.
- 4 There is a change in regulations that has resulted in a transfer to the use of the Regional Government Accounting System for the 2023 Fiscal Year, where the Implementation of Regional Accounting will use the SIPD Application and the Implementation of Fixed Asset Administration using the e-BMD application. Both new applications require time to adjust the effectiveness and efficiency of their use. This is, of course, a challenge for the Bintan Regency Government.
- 5 Regarding Human Resource Competence, it is also necessary to always pay attention to maintain and ensure the quality of the preparation of financial reports in accordance with applicable regulations and provisions. Apart from issues related to educational background in accounting or finance, issues related to the implementation of training, as well as technical training related to the preparation of Regional Government Financial Reports in an effort to increase the competence of Human Resources also require attention, so that it can be carried out periodically from time to time so that the employees on duty carry out their functions well and responsibly.
- 6 Implementation of the Government Internal Control System (SPIP) in the Bintan Regency Government needs to be improved in the future. There are still several suggestions for improvement from the BPKP to the Bintan Regency Government.

Based on the background and problem identification described above, this research will be limited by several variables, namely, the influence of Regional Property Administration, Human Resource Competency, and Utilization of the Regional Government Accounting System with the Government's Internal Control System as a moderator on the quality of Bintan Regency Government Financial Reports.

The problem formulation used in this study is as follows.

- 1 How does the Administration of Regional Property directly affect the Quality of the Bintan Regency Regional Government's Financial Reports?
- 2 How does Human Resource competency directly influence the quality of bintan-regency regional government financial reports?
- 3 How does the use of the Regional Government Accounting System directly affect the quality of the Bintan Regency Regional Government's Financial Reports?
- 4 How does the government's Internal Control system directly affect the Quality of the Bintan Regency Regional Government's Financial Reports?
- 5 How can the Government's Internal Control System moderate the relationship between Fixed Asset Administration and the Quality of Bintan Regency Regional Government Financial Reports?
- 6 How can the Government's Internal Control System moderate the relationship between Human Resource Competency and the Quality of Bintan Regency Regional Government Financial Reports?
- 7 How can the Government's Internal Control System moderate the relationship between the use of the Regional Government Accounting System and the Quality of the Bintan Regency Regional Government's Financial Reports?

2. Literature review

2.1 Agency Theory

According to Purba, Siahaan, Sagala, Junita, and Duha (2022) agency problems (Agency Theory) also exist in the context of government organizations. The people as principals give a mandate to the government as agents to carry out government duties in order to improve the welfare of the

people. The implication of this theory is that people as principals, represented by the Regional People's Representative Council (DPRD), provide authority and supervise the government's running to Regional Government officials (Executives) so that they can carry out their mandate for the welfare and progress of their region. The Regional Government in carrying out activity programs that receive budget support through the Regional Revenue and Expenditure Budget (APBD) must be discussed and joint approval by the DPRD must be obtained as representatives of the people ([Amegayibor, 2021](#)). This is done as an effort to check, balance, and supervise so that the running of the government can be carried out according to the hopes and desires of the people as principals.

2.2 Entity Theory

According to Paton, entity theory focuses more on the concept of stewardship and accountability, where business continuity is concerned with the level of business continuity and business financial information for the owner to fulfill legal needs and maintain a good relationship with the owner, with the hope that it will be easy to obtain funds in the future ([Sudarmadi, 2020](#)). If implemented in this research, the regional government carries out its duties as an accounting entity and reporting entity which with a full sense of responsibility carries out regional financial management in accordance with applicable regulations so that it can achieve the goals, vision and mission of every activity and program carried out.

2.3 Stewardship Theory

Stewardship theory focuses more on harmonious organizational management between capital owners (principles) and managers (stewards) in achieving common goals. According to a study by Pratiwi, Martono, and Mahmud (2022) stewardship theory describes a situation in which managers are not motivated by individual goals but are more aimed at their main target results for the benefit of the organization. It has a psychological and sociological basis in which executives as stewards are motivated to act according to the principal's wishes, apart from the steward's behavior of not leaving the organization because the steward tries to achieve the organization's goals.

If implemented in this research, the Regional Head, as the leader of course, really hopes that the regional government will run in accordance with the vision and mission that has been set, including reporting and accountability in regional financial management. How can Regional Governments prepare quality Regional Government Financial Reports and be able to maintain a fair opinion without exception from the results of audits by the Supreme Audit Agency, which will have positive implications for Regional Governments, namely the existence of Regional Incentive Funds (DID), which will be transferred from the Central Government to the Government Areas that can obtain an Unqualified Opinion?

2.4 Quality of Regional Government Financial Reports

According to Government Regulation No. 24 of 2005, financial reports are prepared to provide relevant information regarding the financial position and all transactions carried out by a reporting entity for one reporting period ([Chinyamunjiko, Makudza, & Mandongwe, 2022](#)). Financial reports are said to be of high quality and useful in decision-making, as reflected in the qualitative characteristics of financial reports ([Amegayibor, 2021](#)). The qualitative characteristics of financial reports are normative measures that need to be realized in accounting information so that they can fulfill their objectives. Based on Government Regulation Number 71 of 2010 concerning Government Accounting Standards, there are 4 (four) qualitative characteristics of quality Regional Government Financial Reports: relevant, reliable, comparable, and understandable ([Okeke, Ezeala, Okoye, & Egbunike, 2023](#)).

2.5 Fixed Asset Administration

Based on Minister of Home Affairs Regulation Number 19 of 2016 concerning Management of Regional Property, it is explained that administration is a series of activities that include

bookkeeping, inventory, and reporting of regional property in accordance with the provisions of statutory regulations. Based on Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for Implementing Bookkeeping, Inventory and Reporting of Regional Property (BMD), the meaning is explained as follows:

1. Bookkeeping is the activity of registering and recording BMD in the list of goods held by an Authorized Property User, Property User or Property Manager according to the classification and coding of goods. Item List is a list that contains BMD data.
2. Inventory is an activity for collecting, recording, and reporting the results of BMD data collection. An inventory of regional property is carried out at least once every five years by the Property User. However, inventory is carried out annually for supply and construction in progress.
3. Reporting is a series of activities for compiling and conveying data and information carried out by Assistant Property Managers, User Property Managers or Managing Property Managers who conduct Bookkeeping, Inventory and BMD Reporting to the Proxy of Property Users, Property Users or Property Managers. Reporting on regional property is carried out periodically, namely semi-annually and annually, by Property Users to Regional Property Managers, which then becomes the basis for preparing Regional Government Financial Reports (LKPD).

2.6 Human Resources Competency

Competence is defined as the capacity that exists in a person that can make that person able to fulfill what is required by work in an organization so that the organization is able to achieve the expected results ([Faizah, Irmadariyani, & Sulistiyo, 2022](#)). According to Spencer and Spencer in Barus (2017:41), competence is a characteristic that stands out for a person, becomes a way of behaving and thinking in all situations, and lasts for a long period of time. From this opinion, it can be understood that competence refers to a person's job performance, which can be seen from thoughts, attitudes, and behavior ([Okeke et al., 2023](#)).

Based on the Decree of the Head of BKN No. 46 of 2007, human resource competency is the ability and characteristics possessed by a civil servant in the form of knowledge, skills, roles, and attitudes of actors required to carry out their duties, so that the civil servant can carry out their duties professionally, and is effective and efficient ([Putra & Suprapti, 2019](#)).

2.7 Regional Government Accounting System

The Regional Financial Information System in Government Regulation Number 56 of 2005 is a system that documents, administers, and processes regional financial management data and other related data into information that is presented to the public and as material for decision-making in the context of planning, implementing, and reporting government accountability. area. The output of implementing a Regional Financial Information System is to produce Regional Financial Information that meets the principles of accuracy, relevance, and accountability. The Regional Government Accounting System is part of the Regional Financial Information System, which is applied to Government Sector Accounting to produce good Financial Reports in accordance with applicable regulations. Based on Permendagri 77 of 2020 concerning Technical Guidelines for Regional Financial Management, the Regional Government Accounting System is a systematic series of procedures, organizers, equipment, and other elements to realize accounting functions, from transaction analysis to financial reporting within regional government organizations ([Pramono & Pratama, 2020](#)).

2.8 Government Internal Control System

An Internal Control System is a policy and procedure designed to provide management with adequate confidence that the organization is achieving its goals and objectives. The internal control system includes organizational structure, methods, and measures that are coordinated to maintain organizational assets, check the accuracy and reliability of accounting data, encourage efficiency, and encourage the fulfillment of management policies ([Putra, 2022](#)).

Based on Government Regulation Number 60 of 2008, the government's internal control system is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals ([Nadya, 2022](#)). The government's internal control System has 5 (five) indicators: control environment, risk assessment, control activities, information and communication, and internal control monitoring.

3. Methodology

3.1. Research Approach

This study included descriptive and verification research using a quantitative approach. According to Sugiyono (2010) descriptive research is conducted to determine the value of independent variables, either one or more variables, without making comparisons or connecting them with other variables that are researched and analyzed to produce conclusions. According to Pardjono, Sugiyono, and Budiyo (2015), research has been conducted on a certain population or sample to test a predetermined hypothesis. Quantitative research can be interpreted as a method based on the philosophy of positivism, which is used to research certain populations or samples. Sampling techniques are generally carried out randomly, data collection uses research instruments, and data analysis is quantitative/statistical, with the aim of testing hypotheses that have been established. ([Ratnawati, 2021](#)).

3.2. Research Population and Sample

The population comprised all research subjects ([Wardani, 2016](#)). The population is a generalization area consisting of objects/subjects with certain qualities and characteristics determined by the researchers to be studied and draw conclusions ([Duka, Sujana, & Melanie, 2020](#)). Determining the population in this research took into account the role of employees who in carrying out their duties were closely related (directly related) to the process of preparing the Bintan Regency Government Financial Report. This research used a census method, in which the entire population was used as a sample. The total population as a sample in this study was 120 (one hundred and twenty) people in 39 OPDs in Bintan Regency. The details of the population sampled in this study are as follows.

Table 1. List of Research Populations

| No | Description | Respondents (People) |
|----|--|----------------------|
| 1 | OPD Financial Reporting Application Operator/Accounting Implementer who technically handles the preparation of Bintan Regency OPD Financial Reports | 75 People |
| 2 | OPD Financial Administration Officer (PPK) as Integrated SPIP Assessor and Bintan Regency OPD Financial Report Preparation Officer | 39 People |
| 3 | Executive Staff, Head of Expenditure Accounting sub-division and Head of Accounting and Reporting Division of BKAD Bintan Regency as OPD Compiling Financial Reports for the Bintan Regency Government | 6 people |
| | Total | 120 People |

Source: Processed data (2023)

3.3. Research variable

The variables used in this research consist of 3 (three) types of variables: the dependent/endogenous variable is the quality of regional government financial reports, and the independent/exogenous variables are fixed asset administration, human resources competency, and regional government accounting systems.

3.4. Research Model

If this research model is described in the Smart PLS Application, it can be seen in the following image.

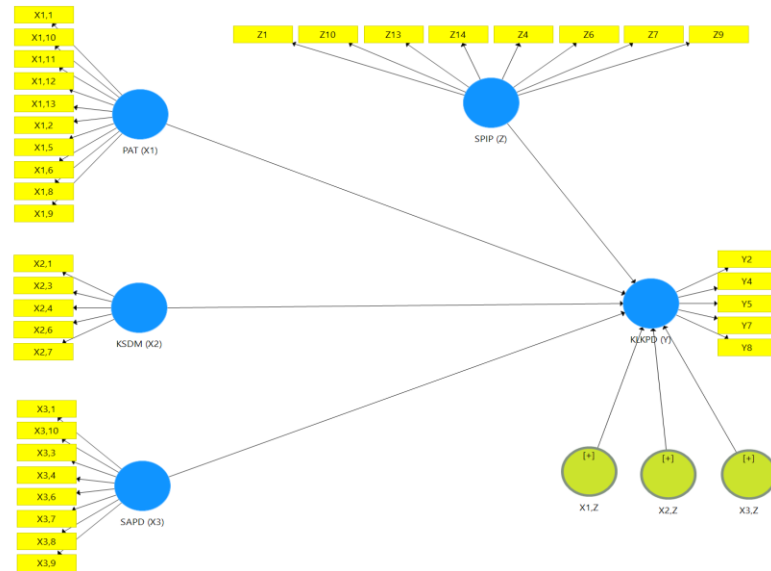


Figure 1: Research Model
Source: SmartPLS Version 3 (data processed)

3.5. Data collection technique

This study uses primary data by distributing questionnaires to respondents to answer questions and statements, which are divided into two parts: the first part relates to the respondent's demographic data (name, gender, age, educational background, and other things), and the second part relates to the items. The statement items correspond to the indicators for each variable in this research, namely, the Quality of Regional Government Financial Reports, Fixed Asset Administration, Human Resource Competency, Regional Government Accounting System and Government Internal Control System.

3.6. Data analysis technique

The data analysis technique used in this research uses structural equation modeling partial least squares (SEM-PLS) with SmartPLS Version 3 software. Data processing was conducted in three stages: outer model analysis, inner model analysis, and hypothesis testing. In these three stages, validity tests, reliability tests, multicollinearity tests, AVE tests, HTMT tests, Composite Reliability tests, R-square tests, and significance tests (p-values) via the PLS Algorithm and PLS Bootstrapping were carried out.

4. Results and discussions

4.1. Demographic Characteristics of Respondents

In this research, respondents were divided into three groups, namely the first group were Financial Administration Officers (PPK) in 39 OPDs in Bintan Regency, the second group were Accounting Executive Staff in 39 OPDs in Bintan Regency and the third group was Staff/Head of Subdivision/Head of Accounting and Reporting to the Bintan Regency Regional Financial and Asset Agency as compiler, verifier and compiler of the Bintan Regency Government Financial Report. The demographic characteristics of the respondents in this study are as follows:

| | | | | | | |
|---|---|----------|--------|--|----------|--------|
| BERDASARKAN JABATAN 1. PEJABAT PENATAUSAHAAN KEUANGAN OPD (39 ORANG) 2. PELAKSANA AKUNTANSI OPD (75 ORANG) 3. STAF/KASUBBID/KABID AKUNTANSI DAN PELAPORAN BKAD BINTAN (6 ORANG) | BERDASARKAN USIA | | | BERDASARKAN LAMA BEKERJA | | |
| | 19-26 Tahun | 12 Orang | 10,00% | 1-5 Tahun | 32 Orang | 26,67% |
| | 27-34 Tahun | 21 Orang | 17,50% | 6-10 Tahun | 31 Orang | 25,83% |
| | 35-42 Tahun | 23 Orang | 19,17% | 11-15 Tahun | 22 Orang | 18,33% |
| | 43-50 Tahun | 5 Orang | 4,17% | 16-20 Tahun | 25 Orang | 20,83% |
| BERDASARKAN JENIS KELAMIN 1. LAKI-LAKI (55 ORANG) / 45,83% 2. PEREMPUAN (65 ORANG) / 54,17% | 51-58 Tahun | 4 Orang | 3,33% | 21-25 Tahun | 2 Orang | 1,67% |
| | BERDASARKAN TK. PENDIDIKAN | | | 26-30 Tahun | 6 Orang | 5,00% |
| | SMA/SMK/ sederajat | 20 Orang | 16,67% | Lebih dari 30 Tahun | 2 Orang | 1,67% |
| | D3/ Sederajat | 27 Orang | 22,50% | BERDASARKAN LAMA BEKERJA DI BIDANG KEUANGAN PEMDA | | |
| | Starla 1 (S1)/Sederajat | 69 Orang | 57,50% | 1-5 Tahun | 74 Orang | 63,33% |
| BERDASARKAN JUR. PENDIDIKAN Bidang Akuntansi dan Keuangan Selain Bidang Akuntansi dan Keuangan | Starla 2 (S2)/Sederajat | 4 Orang | 3,33% | 6-10 Tahun | 29 Orang | 24,17% |
| | BERDASARKAN PENGALAMAN IKUT KURSUS/DIKLAT/BIMTEK | | | 11-15 Tahun | 7 Orang | 5,83% |
| | Bidang Akuntansi dan Keuangan | 52 Orang | 43,33% | 16-20 Tahun | 4 Orang | 5,00% |
| | Selain Bidang Akuntansi dan Keuangan | 68 Orang | 56,67% | 21-25 Tahun | 1 Orang | 0,83% |
| | | | | Lebih dari 25 Tahun | 1 Orang | 0,83% |
| BERDASARKAN PENGALAMAN IKUT KURSUS/DIKLAT/BIMTEK | | | | | | |
| Tidak Pernah | | | | 45 Orang | 37,5% | |
| 1-2 Kali (minim sekali) | | | | 45 Orang | 37,5% | |
| 3-5 kali (pernah) | | | | 24 Orang | 20% | |
| 6-10 (sering) | 6 Orang | 5% | | | | |

Figure 2: Demographic Characteristics of Respondents
Source: Processed data (2023)

4.2. Research Model Analysis

4.2.1. Outer Model Analysis

4.2.1.1. Convergent Validity (Outer Loadings and Average Variance Extracted)

To assess whether a construct variable is valid, it can be observed from the outer loading value. If the outer loadings value is > 0.70 then an indicator is valid (Wibisono, Satriawan, & Khaddafi, 2023). The results of the final stage of the outer loading testing in this study are as follows.

Table 2. Final Stage PLS Algorithm Outer Loadings Value

| Variable | Indicator | Outer Loading |
|--|-----------|---------------|
| Fixed Asset Administration (X1) | X1,1 | 0.709 |
| | X1,10 | 0.746 |
| | X1,11 | 0.855 |
| | X1,12 | 0.836 |
| | X1,13 | 0.835 |
| | X1,2 | 0.712 |
| | X1,5 | 0.732 |
| | X1,6 | 0.783 |
| | X1,8 | 0.837 |
| | X1,9 | 0.758 |
| Human Resources Competency (X2) | X2,1 | 0.718 |
| | X2,3 | 0.827 |
| | X2,4 | 0.846 |
| | X2,6 | 0.818 |
| | X2,7 | 0.753 |
| Regional Government Accounting System (X3) | X3,1 | 0.844 |
| | X3,10 | 0.859 |
| | X3,3 | 0.858 |
| | X3,4 | 0.875 |
| | X3,6 | 0.853 |
| | X3,7 | 0.847 |
| | X3,8 | 0.786 |
| | X3,9 | 0.830 |
| Government Internal Control System (Z) | Z1 | 0.717 |
| | Z10 | 0.768 |
| | Z13 | 0.792 |
| | Z14 | 0.808 |
| | Z4 | 0.751 |
| | Z6 | 0.845 |

| | | |
|--|-----------|-------|
| Quality of Regional Government Financial Reports (Y) | Z7 | 0.751 |
| | Z9 | 0.786 |
| | Y2 | 0.774 |
| | Y4 | 0.789 |
| | Y5 | 0.808 |
| | Y7 | 0.768 |
| | Y8 | 0.848 |

Source: Smart PLS processed (2023)

Apart from the outer loadings value, to measure convergent validity, it can also be seen from the Average Variance Extracted (AVE) value. AVE can be used to measure the reliability of latent variable component scores, and the results are more conservative than composite reliability. It is recommended that the AVE limit value be greater than 0.50, while for composite reliability it is 0.7 ([Ghazali et al., 2023](#)). The AVE values calculated in this study are as follows:

Table 3. Construct Reliability and Validity Values of the Final Stage PLS Algorithm

| Variable | Cronbach's Alpha | rho_A | Composite Reliability | Average Variance Extracted (AVE) |
|--|-------------------------|--------------|------------------------------|---|
| Fixed Asset Administration (X1) | 0.929 | 0.933 | 0.940 | 0.612 |
| Human Resources Competency (X2) | 0.853 | 0.863 | 0.895 | 0.630 |
| Regional Government Accounting System (X3) | 0.942 | 0.943 | 0.952 | 0.713 |
| Government Internal Control System (Z) | 0.907 | 0.911 | 0.924 | 0.605 |
| Quality of Regional Government Financial Reports (Y) | 0.857 | 0.858 | 0.897 | 0.636 |

Source: Smart PLS processed (2023)

4.2.1.2. Discriminant Validity (Heteroit-Monoroit Ratio/HTMT)

Discriminant validity is used to ensure that the concept of each construct or latent variable is different from the other variables. Testing using the Heteroit-Monoroit Ratio (HTMT) method was carried out by calculating the ratio between the correlation between constructs (heterotrait) and the correlation within the same construct (monotrait) estimated from the PLS model. If the HTMT value between the two constructs is less than 0.9, then the construct is considered to have good convergent consistency and can be differentiated from other constructs. The results of the HTMT calculations in this study are as follows:

Table 4. Final Stage Discriminant Validity-Heterotrait-Monotrait Ratio (HTMT) Value

| VARIABLES | KLKPD (Y) | KSDM (X2) | PAT (X1) | SAPD (X3) | SPIP (Z) | X1,Z | X2,Z | X3,Z |
|------------------|------------------|------------------|-----------------|------------------|-----------------|-------------|-------------|-------------|
| KLKPD (Y) | | | | | | | | |
| KSDM (X2) | 0.404 | | | | | | | |
| PAT (X1) | 0.782 | 0.572 | | | | | | |
| SAPD (X3) | 0.436 | 0.885 | 0.505 | | | | | |

| | | | | | | | | |
|-----------------|--------------|--------------|-------------------|--------------|--------------|--------------|--------------|--|
| SPIP (Z) | 0.583 | 0.623 | 0.76 3 | 0.653 | | | | |
| X1,Z | 0.074 | 0.108 | 0.27 4 | 0.043 | 0.125 | | | |
| X2,Z | 0.221 | 0.252 | 0.11 4 | 0.136 | 0.113 | 0.557 | | |
| X3,Z | 0.088 | 0.177 | 0.05 8 | 0.144 | 0.110 | 0.553 | 0.774 | |

Source: Smart PLS processed (2023)

4.2.1.3. Cronbach's Alpha and Composite Reliability

Reliability testing is used to assess consistency in objects and data, ensuring that an instrument used several times to measure the same object produces the same data. Cronbach's alpha measures the lower limit of the reliability of a construct, and is considered reliable if the value is > 0.6 . Composite reliability measures the actual value of the reliability of a construct, and this method is believed to be better for estimating the internal consistency of a construct. A construct variable was considered reliable if the composite reliability value was greater than 0.7. The results of calculating the Cronbach's Alpha and Composite Reliability values in this study are as follows:

Table 5. Cronbach's Alpha and Composite Reliability values

| Variable | Cronbach's Alpha | Composite Reliability | Information |
|---|-------------------------|------------------------------|--------------------|
| Fixed Asset Administration (X1) | 0.929 | 0.929 | Reliable |
| Human Resources Competency (X2) | 0.853 | 0.853 | Reliable |
| Regional Government Accounting System (X3) | 0.942 | 0.942 | Reliable |
| Government Internal Control System (Z) | 0.907 | 0.907 | Reliable |
| Quality of Regional Government Financial Reports (Y) | 0.857 | 0.857 | Reliable |

Source: Smart PLS processed (2023)

4.2.2. Inner Model Analysis

4.2.2.1. Collinearity Test (Inner VIF Value)

This test aims to determine whether the correlation between latent variables/constructs is strong. A strong correlation means that the model contains problems from a methodological point of view because it has an impact on the estimation of statistical significance. The value used for analysis is based on the Variance Inflation Factor (VIF) value. If the VIF value is > 5.0 , it means there is a collinearity problem, and conversely there is no collinearity problem if the VIF value is < 5.0 ([Veronika, Rumengan, Khadafi, & Rumengan, 2021](#)). The results of the collinearity test are as follows:

Table 6 . Inner VIF Value

| Variable | VIF | Information |
|---|--------------|------------------------|
| Fixed Asset Administration (X1) | 2,572 | Multicollinearity Free |
| Human Resources Competency (X2) | 3,245 | Multicollinearity Free |
| Regional Government Accounting System (X3) | 3,371 | Multicollinearity Free |
| Government Internal Control System (Z) | 2,700 | Multicollinearity Free |

Source: Processed from Smart PLS Version 3 (2023)

4.2.3. Determinant Coefficient (R-Square)

The R-Square test was carried out to evaluate how variations in the values of the endogenous/dependent variables were influenced by variations in the values of the exogenous/independent variables in a path model. The higher the R-squared value, the better the exogenous variable explains the endogenous variables. An R-Square value of 0.75 indicates a strong PLS model, an R-Square of more than equal to 0.50 indicates a moderate PLS model and an R-Square of less than 0.50 indicates a weak PLS model ([Afdal, Satriawan, Robin, Irfan, & Khaddafi, 2022](#)). The R-squared values in this study are as follows:

Table 7. R-Square Value

| | R Square | R Square Adjusted |
|-----------|-----------------|--------------------------|
| KLKPD (Y) | 0.549 | 0.521 |

4.3. Hypothesis test

The significance test aims to determine the magnitude of the independent (exogenous) variable's influence on the dependent (endogenous) variable. The significance of hypothesis support can be measured by comparing the t-table and t-statistic values. The criterion for accepting or rejecting the hypothesis is that if the t-statistic value > t-table value, then the hypothesis is accepted. Conversely, if the t-statistic is lower than the t-table, the hypothesis is rejected. The t-table value was set to 1.980 ($\alpha=5\%$, $df=120$). The results of the significance test using bootstrapping are shown in the following Path Coefficient table:

Table 8. Path Coefficients (Mean, STDEV, T-Values, P-Values)

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|------------------------------|----------------------------|------------------------|-----------------------------------|---------------------------------|-----------------|
| PAT (X1) -> KLKPD (Y) | 0.743 | 0.727 | 0.122 | 6,101 | 0,000 |
| KSDM (X2) -> KLKPD (Y) | -0.256 | -0.221 | 0.112 | 2,279 | 0.023 |
| SAPD (X3) -> KLKPD (Y) | 0.262 | 0.227 | 0.136 | 1,924 | 0.055 |
| SPIP (Z) -> KLKPD (Y) | -0.025 | 0.012 | 0.117 | 0.215 | 0.830 |
| Moderation X1,Z -> KLKPD (Y) | 0.126 | 0.077 | 0.147 | 0.856 | 0.392 |
| Moderation X2,Z -> KLKPD (Y) | 0.245 | 0.230 | 0.098 | 2,515 | 0.012 |
| Moderation X3,Z -> KLKPD (Y) | -0.189 | -0.165 | 0.105 | 1,800 | 0.072 |

Source: Processed from Smart PLS Version 3 (2023)

4.4. Discussion

From Table 4.8, the following results were obtained:

1. The direct influence of PAT (X1) on KLKPD (Y) has a path coefficient of 0.743 with a t-statistic value of 6.101 > t-table of 1.980 and a P-Values value of 0.000 < 0.05 so it can be stated that the influence between PAT (X1) on LKPD (Y) is significantly positive. Fixed Asset Administration is a factor that greatly influences the quality of Bintan Regency Government Financial Reports. This is supported by facts in the field, the results of observations by researchers, where there are several changes in recording in the Administration of Fixed Assets, which cannot be automatically recognized by the Accounting and Reporting Sector as a compiler of Regional Government Financial Reports, such as the presence of additional/minus mutations between OPDs, the addition of other sources (either from receipt of goods grants or correction of reclassification from goods/services expenditures to capital expenditures), assets that are below the minimum

- capitalization limit value (extracompatable), as well as write-offs of fixed assets, which can be guaranteed to occur every year. Manual working papers are needed to explain the movement of the data, so that manual journaling can be carried out in the Regional Government Accounting System, so that a good, reliable, relevant, understandable, and comparable Bintan Regency Regional Government Financial Report can be formed because it has been prepared using working papers, verified documents, and correct reconciliation results.
2. The direct influence of KSDM (X2) on KLKPD (Y) has a path coefficient of -0.256 with a t-statistic value of $2.279 > t\text{-table of } 1.980$ and a P-Values value of $0.023 < 0.05$ so it can be stated that the influence between KSDM (X2) on LKPD (Y) is significant negative. Ideally, human resource competency has a positive influence on the quality of Regional Government Financial Reports, where employees process, identify, process, and compile the entire accounting process for government financial transactions with the final output in the form of Regional Government Financial Reports. To carry out these duties, you must be equipped with adequate and good knowledge, skills, and attitudes, where an understanding of Regional Government Financial Management regulations is an absolute must, because in carrying out duties within the government environment, everything that is done must have a legal basis that regulates, be it Regent Regulations, Regional Regulations, Government Regulations, and Ministerial Regulations/Decisions to Laws. Similarly, employees tasked with preparing Regional Government Financial Reports must possess good skills and attitudes.
 3. The direct influence of SAPD (X3) on KLKPD (Y) has a path coefficient of 0.262 with a t-statistic value of $1.924 < t\text{-table of } 1.980$ and a P-value of $0.055 > 0.05$; thus, the influence of SAPD (X3) on LKPD (Y) is positive and insignificant. In the Bintan Regency Government Accounting System, the Accounting Sector uses the FMIS and SIPD Applications, while in Fixed Asset Administration, it uses the SIMDA BMD Application, both of which are still not integrated. Thus, if there are changes or movements of data on Fixed Assets, it is necessary to present a manual working paper using Microsoft Excel, which is then manually journaled in the Accounting Sector. This is impractical and still raises the risk of journaling errors (which can be caused by human error or misstatement of working papers). In addition, system stability is also a determining factor in supporting the reliability of Regional Government financial reports, where when a regional government accounting system is unstable and there are many errors in carrying out calculations, as well as presenting report output, it will raise many questions and doubts for users and examiners. Therefore, the Regional Government Accounting System will, in principle, influence the Quality of Regional Government Financial Reports.
 4. The direct influence of SPIP (Z) on KLKPD (Y) has a path coefficient of -0.025 with a t-statistic value of $0.215 < t\text{-table of } 1.980$ and a P-value of $0.830 > 0.05$; thus, the influence of SPIP (Z) on LKPD (Y) is negative and insignificant. In the implementation of the government's Internal Control System within the Bintan Regency Government, based on the results of the Maturity Assessment Evaluation for the Implementation of Integrated SPIP in the Bintan Regency Government in 2022 by the BPKP Representative of the Riau Islands Province, the Bintan Regency Government obtained a result of 3.27 (Level 3- defined). At this level, the Bintan Regency Government in Determining Goals, Structure and Process, and Achieving Goals, which are components of the SPIP assessment indicators, there are still several issues that need to be improved in accordance with the recommendations given, including the existence of repeated findings in the BPK Audit report. Regarding this repeated report, the Bintan Regency Government needs special attention, both in terms of follow-up to resolve the findings and prevention efforts, so that it does not happen again. The results of this research are in line with those of Anggie et al.. Al states that the government's Internal Control System has no significant negative influence on the quality of regional government financial reports.
 5. The effect of the interaction between SPIP (Z) and PAT (X1) on KLKPD (Y) has a positive path coefficient of 0.126 with a t-statistic value of $0.856 < t\text{-table of } 1.980$ and a P-Values value of $0.392 > 0.05$ so it can be stated that the interaction effect between SPIP (Z) and PAT (X1) on KLKPD (Y) is positive and not significant. In this regard, it can be concluded that although the government's Internal Control System has been implemented strictly, the Fixed Asset Administration Process is still not perfectly implemented by the Bintan Regency Government. This is reflected in the repeated findings that the administration of Fixed Assets of the Bintan

Regency Government is not in an orderly manner, as stated in BPK's Audit Results Report Book (LHP) regarding the government's Internal Control System. In addition, the Government Internal Control System is also implemented in an effort to guarantee the quality of Regional Government Financial Reports.

6. The effect of the interaction between SPIP (Z) and KSDM (X2) on KLKPD (Y) has a positive path coefficient of 0.245 with a t-statistic value of $2.515 > t\text{-table of } 1.980$ and a P-Values value of $0.012 < 0.05$ so it can be stated that the interaction effect between SPIP (Z) and KSDM (X2) on KLKPD (Y) is significantly positive. In this regard, it can be concluded that even though the government's internal control system has been strictly implemented, it is hoped that it will be able to improve the quality of work and competency of human resources involved in preparing Government Financial Reports. The better the knowledge, skills, and attitudes of human resources, as well as the government's internal control system, the better the quality of regional government financial reports that will be produced.
7. The effect of the interaction between SPIP (Z) and SAPD (X3) on KLKPD (Y) has a path coefficient of negative 0.189 with a t-statistic value of $1.800 < t\text{-table of } 1.980$ and a P-value of $0.072 > 0.05$, indicating that the interaction effect between SPIP (Z) and SAPD (X3) on KLKPD (Y) is negative and not significant. In this regard, it can be concluded that although the government's internal control system has been strictly implemented, it cannot moderate the relationship between the Regional Government Accounting System and the Quality of Regional Government Financial Reports. The government's internal control system has information and communication indicators, namely, relevant information. The Regional Government Accounting System used by the Bintan Regency Government is expected to be able to produce relevant information so that the output of the Bintan Regency Government Financial Report can be relied on for its truth. However, limitations in the Regional Government Accounting System, such as the lack of integration of the Accounting System (FMIS) with the Fixed Asset Management System (SIMDA BMD), can cause data differences that need to be reconciled every semester.

5. Conclusion

5.1. Conclusion

Based on the results of the research and hypothesis testing that has been carried out, the following conclusions are obtained:

1. Fixed Asset Administration has a significant positive effect on the Quality of Bintan Regency Regional Government Financial Reports.
2. Human resource competency has a significantly negative influence on the quality of bintan-regency regional government financial reports.
3. The Regional Government Accounting System has a positive and insignificant effect on the Quality of the Bintan Regency Regional Government Financial Reports.
4. The Government's Internal Control System has an insignificant negative effect on the Quality of Bintan Regency Regional Government Financial Reports.
5. The Government's Internal Control System does not moderate the relationship between Fixed Asset Administration and the Quality of Bintan Regency Regional Government Financial Reports.
6. The Government's Internal Control System can moderate the relationship between Human Resource Competency and the Quality of Bintan Regency Regional Government Financial Reports.
7. The Government's Internal Control System does not moderate the relationship between the regional government's accounting system and the quality of the Bintan Regency Regional Government's Financial Reports.
8. The Adjusted R-Square value is 0.521, which means that the variable Quality of Regional Government Financial Reports can be explained/influenced by the variables Fixed Asset Administration, Human Resource Competency, Regional Government Accounting System, and Government Internal Control System, with an interaction of 52.1%, while the remaining 47.9% was explained/influenced by other variables not included in this study.

5.2. Suggestion

Based on the discussion of the research results that have been carried out, there are several suggestions which are expected to provide input for the Bintan Regency Government and for further research, as follows:

1. It is necessary to provide budget support for the implementation of Education, Training and Technical Guidance related to Regional Government Financial Management, which is conducted at least once a year.
2. Implementation of Reconciliation between Accounting Implementers and OPD Financial Administration Officials with the Bintan Regency BKAD Accounting and Reporting Sector should be routinely carried out once a month, involving the OPD User Property Manager as the technical implementer to prepare reports on Regional Property and Fixed Asset Administration at the OPD level. Thus, the data matching and verification process can be conducted in real time according to the implementation of financial transactions.
3. It is also hoped that there will be regional policies and commitment and support from the leadership that can increase the performance motivation of OPD user property managers and OPD accounting-implementing staff with adequate honorariums, without violating applicable rules and regulations.
4. Future researchers should increase and expand the number of research samples and other variables related to audit quality to increase the R-Square value and add analysis using qualitative methods so that the results obtained are more comprehensive in the discussion.

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