



Research Paper

The Influence of Human Resources and Regional Property Administration on the Quality of Financial Reports with Internal Control System as a Moderating Variable (Study at the Regional Government Office of West Sulawesi Province)

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This research aims to determine and analyze the influence of human resources and administration of regional property on the quality of financial reports either directly or moderated by the internal control system at the Regional Government Office of West Sulawesi Province. This research uses a survey method with data collection techniques using a questionnaire. The sampling technique used is purposive sampling with a total sample of 126 respondents. Data analysis using Moderated Regression Analysis (MRA). The results showed that (1) human resources had a direct positive effect on the quality of financial reports (2) the administration of regional property had a direct significant effect on the quality of financial reports. (3) the internal control system moderates the influence of human resources on the quality of financial reports (4) the internal control system moderates the effect of the administration of regional property on the quality of financial reports.

Keywords: Human Resources, Regional Property Administration, Internal Control System Quality of Financial Reports

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I. INTRODUCTION

In financial management, the government carried out reforms by issuing Law Number 17 of 2003 concerning State Finance which requires the form and content of the accountability report for the implementation of the State Revenue and Expenditure Budget (APBN) or Regional Revenue and Expenditure Budget (APBD) to be compiled and presented with accounting standards. government determined by government regulations. The government also issued Law no. 23 of 2014 concerning Regional Government replacing Law no. 32 of 2004 concerning Regional Government which is no longer in accordance with the development of the situation. Based on the Law, the government issued Government Regulation no. 71 of 2010 concerning Government Accounting Standards (SAP). SAP is the accounting principles set out in preparing and presenting government financial statements.

An important objective of public sector accounting and administration reform is accountability and transparency in the financial management of the central and local governments (Badjuri and Trihapsari, 2004). Furthermore, Badjuri and Trihapsari (2004) say that accountability and transparency are intended to ensure that the management of government finances carried out by government officials is running well.

The form of the accountability report on regional financial management for one fiscal year is in the form of the Regional Government Financial Report (LKPD). Local government financial reports must follow Government Accounting Standards in accordance with Government Regulation No. 71 of 2010. The purpose of this implementation is to make it more accountable and the need to improve the quality of financial reports. If the information contained in the Regional Government Financial Statements meets the criteria for the qualitative characteristics of government financial reports as required in Government Regulation Number 71 of 2010, it means that the regional government is able to realize transparency and accountability in regional financial management.

However, in the practice of preparing quality local government financial reports, the existing phenomena (reality) are still different from expectations. Based on the results of the examination by the Supreme Audit Agency (BPK) it was found that there are still many local government financial reports that have not been prepared with quality, because they have not presented financial data in accordance with standards and regulations. The facts show that the West Sulawesi Provincial Government is still struggling with asset/BMD issues. Where seen based on the findings of the financial audit body (BPK) for the 2019 Fiscal Year, it was revealed that the management of fixed assets had not been carried out in accordance with the plans.

Based on the phenomena mentioned above, it can be concluded that the financial statements produced by the West Sulawesi Provincial Government still do not meet the required information value criteria. This also indicates that financial reports are still low in terms of human resource management, regional property management and internal control systems.

In addition, regional property is an important component in regional financial management. The management of regional property requires special attention because there is a significant increase in the value of regional property from year to year. Good implementation and management of regional property must be carried out in an orderly and orderly manner in accordance with applicable regulations. Regional property is one of the most strategic factors in managing the quality of regional financial reports. In general, the Regional Property (BMD) value is the largest value compared to other accounts in the financial statements. If the administration is not orderly, the regional property reported in the balance sheet becomes invalid, as a result the balance sheet does not reflect the proper value of assets (Mahmudi, 2010).

Another factor that can affect the quality of financial reports in local governments is the internal control system. If internal control is implemented properly in the organization, it will produce quality financial report information (Rijalulfikri, 2017). An adequate internal control system will affect the application of accounting standards, and directly improve the quality of financial reports (Rijalulfikri, 2017). Supporting research results, namely Syarifudin (2014), that with effective internal control will be able to minimize the risk of errors in the preparation and presentation of financial statements, so that the implementation of the government's internal control system greatly assists government management in achieving the goals that have been set, especially in order to improve reliability of financial statements. An effective internal control will reduce information risk and increase the completeness and accuracy of planned information.

II. THEORETICAL AND LITERATURE REVIEW

2.1. Stewardship Theory

Stewardship theory is part of agency theory which describes a condition in which management is not motivated by individual goals, but rather to their main outcome goals for the benefit of the organization (Donaldson et al., 1991). Stewardship theory explains the working relationship between two parties, the owner and the steward (Davis et al., 1997; Donaldson et al., 1991), and explains the relationship from a behavioral and structural perspective.

2.2. Decision Usefulness Theory

Decision usefulness theory covers the requirements of the quality of accounting information that is useful in decisions that will be taken by users. The theory of decision usefulness becomes a reference for the preparation of the Financial Accounting Standard Boards (FASB) conceptual framework, namely the Statement of Financial Accounting Concepts (SFAC) applicable in the United States (Staubus, 2000).

2.3. Compliance Theory

Compliance means obedient, obedient, subject to teachings or regulations. In compliance which is assessed is the obedience of all activities in accordance with applicable policies, rules, regulations and laws. While propriety is more on the nobility of the leadership in making decisions. Violating propriety does not necessarily violate compliance. In addition, compliance determines whether the party being audited has followed certain procedures, standards, and rules set by the competent authority. This aims to determine whether what is being examined is in accordance with certain conditions, regulations, and laws.

2.4. Human Resources

Human resources according to Hasibuan (2007:244) are the integrated capabilities of the individual's thinking power and physical power. Thinking power is intelligence that is born (basic capital) while skills are obtained from effort (learning and training). Intelligence is measured by Intelligent Quotient (IQ) and Emotion Quality (EQ). Human resources are all the potentials possessed by humans that can be donated/given to the community to produce goods/services (Sedarmayanti, 2016:11).

2.5. Regional Property (BMD) Administration

BMD administration is a series of activities that include bookkeeping, inventory and reporting of BMD in accordance with applicable regulations (Permendagri No. 17 of 2007 and 2016). The administration of regional property is carried out with three activities which include bookkeeping, inventory and reporting activities.

2.6. Internal Control System

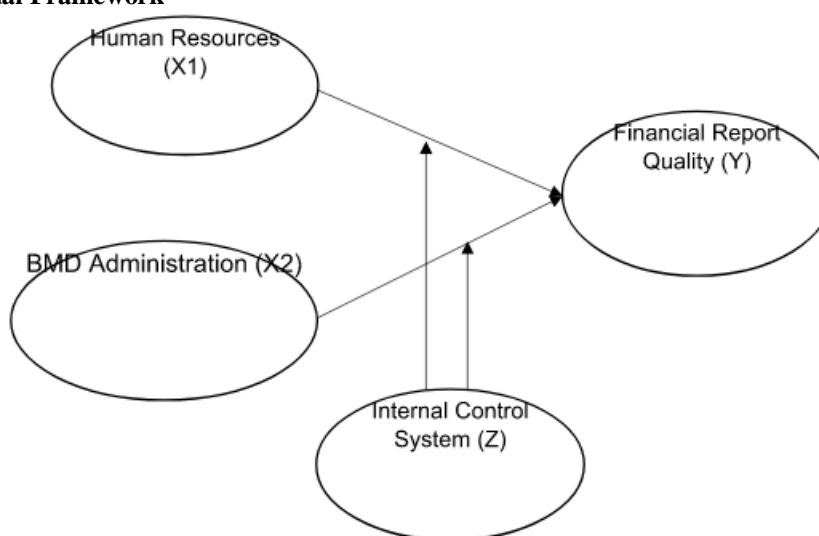
According to Arens et al. (2012), internal control is a process designed to provide reasonable achievement of management objectives in terms of reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

2.7. Financial Report Quality

Tang et al. (2012) define the quality of financial statements as reports that provide true and fair information about the underlying performance and about the financial position. Another opinion states that quality financial reporting reflects complete and transparent financial information that is not prepared to obscure and mislead users (Jonas and Balnchet, 2000). Therefore, the concept of quality of financial statements is very broad, including disclosure of information and non-financial functions in decision making. (Tasios and Bekiaris, 2012).

III. CONCEPTUAL FRAMEWORK AND HYPOTHESIS

3.1. Conceptual Framework



3.2. Hypothesis

1. Human Resources (X1) Affects Directly Towards Financial Report Quality (Y)

H1: Human Resources affects positively directly towards financial report quality

2. BMD Administration (X2) Affects Directly Towards Financial Report Quality (Y)

H2: BMD Administration affects positively directly towards financial report quality

3. Internal Control System (Z) Moderates the Effect of Human Resources (X1) Towards Financial Report Quality (Y)

H3: Internal control system moderates the relation between human resources and financial report quality

4. Internal Control System (Z) Moderates the Effect of BMD Administration (X2) Towards Financial Report Quality (Y)

H4: Internal control system moderates the relation between BMD Administration and financial report quality

IV. RESEARCH METHOD

4.1. Research Design

The research design is in the form of hypothesis testing (hypotheses testing). Sekaran (2016) explains that hypothesis testing is a research that is expressed in the form of a statement and explains the logically predictable relationship between two or more variables so that solutions can be found to overcome the problems at hand. The type of data used in this research is primary data. Data obtained from the distribution of a list of questions

(questionnaire) to respondents. The type of data used is quantitative, namely the respondents' answers in the form of the score value of each variable indicator obtained from filling out the questionnaire.

4.2. Research Time and Location

This research was conducted at the Regional Government Office of West Sulawesi Province. The time used for this research was approximately three months after the research proposal was presented and approved for research.

4.3. Sample and Population

The population in this research were all civil servants who were in the scope of the West Sulawesi Provincial Government who were directly related to financial reporting, amounting to 169 people. Metode pengambilan sampel dalam penelitian ini menggunakan metode pengambilan sampel secara purposive sampling. The consideration of the sample in this research is the leader or who has a relationship with the research objective, such as the Head of the Management and Finance and Revenue Agency or the finance sub-section as well as civil servants totaling 126 people, and not including honorary employees, in the Regional Government Office in West Sulawesi Province.

4.4. Data Types and Sources

The type of data used by researchers is primary data collected through questionnaires. Primary data refers to information obtained first-hand by researchers relating to variables of interest for the specific purpose of the research.

4.5. Data Gathering Method

This research uses a survey method with a questionnaire as a data collection technique. The questionnaire consists of a set of statements that are systematically arranged so that the same statement can be submitted to each respondent.

4.6. Operational Definition

4.6.1. Human Resource

This research describes human resources as an individual's work ability which includes aspects of knowledge, skills, work attitudes that are adjusted to predetermined standards. Human resource competence is measured using three indicators set by IFAC (International Federation of Accountants) in IES (International Education Standards) namely IES 2, IES 3, and IES 4 which were developed from the Rijalulfikri questionnaire (2017), with five Likert scales from strongly disagree to strongly agree. The three indicators are:

- a. Knowledge
- b. Ability
- c. Behavior

4.6.2. BMD Administration

According to Permendagri Number 19 of 2016 Administration is a series of activities that include the opening, inventory, and reporting of regional property in accordance with statutory regulations. Administration produces documents that are produced as evidence to record transactions in the accounting process including all documents, namely all goods purchased or obtained at the expense of the APBD or derived from other legitimate acquisitions, which are in the control of the power of the user of the goods and are in the management of the goods.

In this research, the BMD administration variable was measured using the following indicators:

- a. Inventory
- b. Bookkeeping
- c. Reporting

4.6.3. Internal Control

This study describes the implementation of the internal control system as a set of policies and procedures designed to protect the company's assets or assets from all forms of abuse, ensure the availability of accurate company accounting information, and ensure that all legal provisions/regulations and management policies have been complied with and implemented as intended. should be by all employees of the company (Hery 2015). The implementation of the internal control system is measured using five indicators from the Committee of Sponsoring Organization of the Treadway Commission (COSO) 2013, and PP number 60 of 2008 which was developed from the Rijalulfikri (2017) questionnaire, with five Likert scales from strongly disagree to strongly agree. The five indicators are:

- a. Control environment

- b. Risk assessment
- c. Control activities
- d. Information and communication
- e. Monitoring/supervision

4.6.4. Financial Report Quality

The quality of financial statements referred to in this study are qualitative characteristics stated in the Statement of Financial Accounting Standards (IAI, 2005), which was developed from the Rijalulfikri questionnaire (2017). Indicators of assessment of the quality of financial reports:

- a. Relevant
- b. Reliable
- c. Comparable
- d. Understandable

4.7. Data Analysis Technique

This study uses Moderated Regression Analysis (MRA), using the Statistical Package for Social Science (SPSS) application which will provide clear results using validity and reliability testing, data normality tests and classical assumption tests.

V. RESEARCH RESULTS

5.1. Data Analysis

Descriptive statistics of research variables provide an overview of the data. Descriptive statistics in this study are seen from the minimum (Min), maximum (Max) and average (Mean) values. The sample data used in this study were 125 respondents. Based on the data collected, the results of the respondents' answers will be explained as shown in the following table:

Variable	Minimum	Maximum	Average
Human Resource (X1)	14.00	55.00	44,3
Regional Property (BMD) Administration (X2)	10.00	40.00	32.69
Internal Control System (Z)	13.00	60.00	49.10
Financial Report Quality (Y)	24.00	65.00	52.26

Based on table above it can be seen that the 126 research samples used in this study, the Financial Report Quality variable which is the dependent variable (Y) has the smallest (minimum) 24.00 and the largest (maximum) 65.00 which is the sum of the answer scale values. and the average value (mean) 52.26. This indicates that most of the respondents have a high participation in the preparation of financial statements in the scope of the West Sulawesi Provincial Government.

Human Resources is an independent variable (X1) having the smallest (minimum) 14.00 and the largest (maximum) 55.00, which is the sum of the answer scale values and the average (mean) value of 44.35. This shows that respondents' answers regarding human resources are very much needed in the preparation of quality financial reports.

Regional Property Administration is an independent variable (X2) having the smallest (minimum) value of 10.00 and the largest (maximum) of 40.00 which is the sum of the answer scale values and the average (mean) value of 32.69. The number of respondents regarding the Administration of BMD is very high.

The internal control system is a moderating variable (Z) having the smallest (minimum) 13.00 and the largest (maximum) 60.00 which is the sum of the answer scale values and the average (mean) value of 49.10, meaning that internal control is still very high in the West Sulawesi provincial government office.

5.2. Validity and Reliability Testing

This study used a questionnaire to obtain data. Some parts of the questionnaire are perceptions with a Likert scale. For this reason, it is necessary to test whether the data from the questionnaire results are valid (valid) and reliable (can be trusted). Testing the validity of the instrument using the Pearson Correlation analysis tool. If the value (r) of the table is greater than 0.176, identifying the item is valid and worthy to be included in the next stage. On the other hand, if the value of (r) Table is less than 0.176, it indicates that the item is not valid. While the instrument reliability test with Cronbach Alpha analysis tool. If the Cronbach Alpha coefficient value is above 0.60, it indicates a reliable instrument, otherwise if the Cronbach Alpha coefficient value is below 0.60, it indicates an unreliable instrument.

5.2.1. Validity Testing

Variable	Indicator	Correlation	Information
Human Resource (X1)	X1.1	0,980	Valid
	X1.2	0,952	
	X1.3	0,985	
BMD Administration (X2)	X2.1	0,960	Valid
	X2.2	0,967	
	X2.3	0,970	
Internal Control System (Z)	Z1.1	0,978	Valid
	Z1.2	0,960	
	Z1.3	0,978	
	Z1.4	0,960	
	Z1.5	0,978	
Financial Report Quality (Y)	Y1.1	0,886	Valid
	Y1.2	0,908	
	Y1.3	0,842	
	Y1.4	0,880	

5.2.2. Reliability Testing

Variable	Alpha Coefficient Standard	Cronbach's Alpha	Information
Human Resource	0,6	0,971	Reliable
BMD Administration	0,6	0,963	Reliable
Internal Control System	0,6	0,985	Reliable
Financial Report Quality	0,6	0,948	Reliable

5.3. Classic Assumption Test

5.3.1. Normality Test

Testing for normality can use the Kolmogorov Smirnov test. If the test results show the value of Sig > 0.05, then the assumption of normality is met. On the other hand, if the value of Sig < 0.05, then the assumption of normality is not met. The test results are presented in the table below.

Model	Sig.	Information
X1, X2 → Y	0,366	Signifikan
X1, X2, Z → Y	0,200	Signifikan

5.3.2. Multicollinearity Test

The multicollinearity assumption test was tested by calculating the VIF (Variance Inflation Factor) value. If the value of VIF < 10, it can be concluded that there is no multicollinearity.

Independent Variable	Tolerance	VIF	Information
Human Resource (X1)	0,884	1,132	Non Multikolinieritas
BMD Administration (X2)	0,967	1,034	Non Multikolinieritas
Sistem Pengendalian Internal	0,903	1,107	Non Multikolinieritas

a. Dependent Variable: Kualitas Laporan Keuangan

5.3.3. Heteroskedasticity Test

Heteroscedasticity was tested using the Glacier test, namely regressing between absolute residuals and all independent variables. If the value of Sig (probability) > 0.05, it indicates that there is no heteroscedasticity, on the other hand, if the value of Sig < 0.05, indicates the occurrence of heteroscedasticity.

Variable Bebas	Sig.	Information
Sumber Daya Manusia	0,536	Non heterokedastisitas
Penatausahaan BMD	0,869	Non heterokedastisitas
Sistem Pengendalian Internal	0,525	Non heterokedastisitas

5.4. Hypothesis Testing

5.4.1. Multiple Linear Regression Analysis

Variable Independen	Koefisien	Std.Error	t	Sig.	Information
Konstanta	3,269	0,778	4,201	0,000	Signifikan
Sumber Daya Manusia (X1)	0,501	0,094	5,312	0,000	Signifikan

Penatausahaan Barang Milik Daerah (X2)	0,523	0,099	5,277	0,000	Signifikan
R Square = 0,507					
F _{hitung} = 65,187					
Sig. F = 0,000					

The multiple linear regression equation model obtained is as follows:

$$Y = 3.269 + 0.501X1 + 0.523 X2 + 0.778$$

Where:

- Y = Quality of Financial Statements
- X1 = Human Resources
- X2 = Administration of Regional Property
- E = Residual

Based on the table above, the coefficient of determination R Square in model 1 shows a value of 0.507 or 50.7%. This means that the variable quality of financial reports is influenced by 50.7% by human resources (X1) and regional property administration (X2) while the remaining 49.3% is influenced by other variables outside of the independent variables studied in this study. To partially test the hypothesis used the t test is to partially test the independent variables on the following dependent variables:

1. T-test the effect of human resource variables (X1) on the quality of financial reports (Y). In the human resources variable, obtained a value with a significance t of 0.000. then partially the human resources variable (X1) has a significant effect on the financial report quality variable (Y). Based on the coefficient value (0.501), it is positive, identifying the effect is positive. This means that the better the human resources (X1), the better the quality of financial reports (Y). conversely, the lower the participation of human resources (X1), the lower the quality of financial reports (Y).
2. T-test the effect of the regional property administration variable (X2) on the quality of financial reports (Y). In this variable, the significance value of t is 0.00. then partially the regional property administration variable (X2) has a significant effect on the financial report quality variable (Y). Based on the value of the coefficient (0.523) is positive, identifying the effect is positive. This means that the better the administration of regional property (X2), the better the quality of financial reports (Y). conversely, the lower the administration of regional property (X2), the lower the quality of financial reports (Y).

5.4.2. Moderated Regression Analysis (MRA)

Variable Independen	Koefisien	Std Error	t	Sig.	Ket.
Konstanta	2,088	1,710	1,221	0,022	signifikan
Sumber daya manusia * Sistem Pengendalian Internal (X1Z)	0,562	0,211	2,659	0,009	signifikan
Penatausahaan BMD * Sistem Pengendalian Internal (X2Z)	1,179	0,567	2,067	0,041	signifikan
R Square = 0,518					
F _{hitung} = 25,806					
Sig. F = 0,000					

The model of the moderating regression analysis equation based on the table above is:

$$Y = 2.088 + 0.009 X1Z + 0.041 X2Z + 1.710$$

Based on the table, the coefficient of determination R Square is 0.518 or 51.8 percent. This means that the financial report quality variable (Y) is influenced by 51.8 percent by human resources and internal control systems (X1Z), regional property administration and internal control systems (X2Z), the remaining 41.2 percent is influenced by other variables outside of the independent variables studied. in this research.

To partially test the hypothesis, the t-test was used, namely to partially test the independent variable and the moderating variable on the dependent variable, as follows:

1. T-test the effect of human resources and internal control systems (X1Z) on the financial report quality variable (Y). human resources and internal control system (X1Z) obtained a significance value of t of 0.009 less than 5 percent (0.009<0.05). Based on the coefficient value (0.562), it is identified that the effect is positive. This means that the internal control system variable strengthens the influence of human resources (X1) on the quality of financial reports (Y). This is natural because there is pressure from the leadership which requires human resources within the government of West Sulawesi to apply the internal control system that has been set. If the internal control system is not implemented, it will be a threat to the capacity of resources that can affect

the quality of financial statement information, such as a lack of understanding of human resources on information technology trends that can reduce the quality of financial reports.

The internal control system (Z) both directly and interactively have a significant effect on the quality of financial reports (Y), so it can be said that the internal control system (Z) in this case is a quasi moderator which interacts with the human resources variable (X1) on the variable quality of financial reports (Y).

2. T-test of the effect of regionally owned goods administration and internal control system (X2Z) on the financial report quality variable (Y). administration of regional property and internal control systems (X2Z) obtained a significance value of t of 0.041 which is smaller than 5 percent ($0.041 < 0.05$). Based on the coefficient value (0.041), it identifies the positive effect, meaning that the internal control system variable strengthens the effect of regional property administration (X2) on the quality of financial reports (Y). Because with the existence of an internal control system that includes the structure and all methods established within the government of West Sulawesi Province, it can create the reliability and security of regional property, as well as the correctness of accounting data, thereby increasing the efficiency of operating activities that encourage compliance with government policies that have been set.

The internal control system (Z) both directly and at the time of interaction has a significant effect on the quality of financial reports (Y), so it can be said that the internal control system (Z) in this case is a quasi moderator which interacts with the BMD administration variable (X2) on the quality variable. financial statements (Y).

VI. DISCUSSION

6.1. Human Resource Effect towards Financial Report Quality

The results of this study are in accordance with the hypothesis (H1) that was built. Referring to the data from this study, the human resource variable empirically turned out to have a significant positive effect on the quality of financial reports. This means that the more the government improves the quality of its human resources, the more the quality of financial reports will increase. human resources as one of the factors to realize the success of accounting information presented to report users in order to be able to use financial statements as a basis for decision making.

This is in line with research conducted by Wiley (2002) in Azhar (2007) which defines "Human resources are the main supporting pillar as well as the driving force of the organization's wheels in an effort to realize the vision and mission and goals of the organization". Human resources are one of the most important organizational elements, therefore it must be ensured that the management of human resources is carried out as well as possible in order to be able to contribute optimally in efforts to achieve organizational goals.

This research also supports research (Warisno, 2008). In his research, he said that in good regional financial management, SKPD must have competent human resources, who are supported by an accounting education background, often attend education and training, and have experience in finance. This is necessary to implement the existing accounting system. The competent human resources (HR) will be able to understand accounting logic well. The failure of human resources to understand and apply accounting logic will have an impact on errors in the financial statements made and the report's incompatibility with the standards set by the government.

The results of this study are in line with the implications of stewardship theory, which in this theory explains the existence of every human resource as a state civil servant who has been paid by the government. Therefore, management (steward) in this case employees who are within the scope of the regional finance department, is expected to be trusted to carry out their duties and functions properly, so as to produce quality financial reports that have been entrusted to them, so that public services can be achieved optimally. To carry out these responsibilities, the steward mobilizes all the capabilities and expertise to be able to produce quality financial reports.

6.2. BMD Administration towards Financial Report Quality

The results of this study are in accordance with the hypothesis (H2) that was built. Namely, the administration of regional property has a significant positive effect on the quality of financial reports. This means that the more the West Sulawesi provincial government improves the administration of Regional Property, the higher the quality of the financial statements of the West Sulawesi provincial government.

According to the Ministry of Finance (2013), the administration/registration of regional goods is very important because these records are used as objects of audit by the BPK in ensuring the presentation of financial statements. preparing needs planning and budgeting and will produce a balance sheet asset report with precise and accurate figures so that it will improve the quality of better financial reports. Furthermore, Yusuf (2015) explains that the regional balance sheet which is part of the financial statement component will be complete and reliable if the asset administration between physical assets, ownership documents, and administration in the inventory book has a match. With a systematic administrative flow, the level of trust in the administrative process will always be trusted by anyone who reads the financial statements. In addition, BPK RI as the auditor

will find it easier to track assets with the criteria set out in accounting standards so that BPK RI will not hesitate in assessing the level of fairness of the existence of assets both administratively and physically.

This result is also in line with research conducted by (Dwi Kurnianto 2017). Where the results of the research indicate that stimulantly and partially, the variables of accounting, inventory and reporting have a positive and significant effect on the quality of financial reports at the Office of the Ministry of Religion of Probolinggo City. (Yuipi Poae, Ventjellat et.all). The results of this study indicate that partially the assessment of BMD administration, supervision and control has a positive and significant effect on the quality of financial reports.

This confirms the philosophical assumption of compliance theory which explains that an individual tends to obey the laws they deem appropriate and consistent with their internal norms. In the process of managing BMD, especially in the process of administering BMD, it must comply with the applicable laws and regulations. This causes the administration of regional property to affect the quality of financial reports.

6.3. Internal Control System (Z1) Moderating the Effect of Human Resource (X1) towards Financial Report Quality (Y)

The results of this study are in accordance with the hypothesis (H3) that was built. Referring to the data from this study, the internal control system variable can moderate the influence of human resources on the quality of financial reports. This means that the financial report quality variable can be predicted by the human resource variable when moderated by the internal control system. This is natural because the Internal Control System (SPI) is an internal control system that is carried out thoroughly within the central and local government environment.

According to COSO (1992) which has released the Internal Control-Integrated Framework and has been widely approved wherein the Internal Control-Integrated Framework is a framework that provides guidance in designing, implementing internal control and testing the effectiveness of internal control states that Internal Control is a process carried out by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the categories of reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations. The Internal Control System (SPI) is important in a company or business entity, without system control it will be certain that fraudulent actions will result in losses in companies or other entities, including a government agency (Faradisa & Khafid, 2017: 399).

The application of the Internal Control System (SPI) will encourage the effective and efficient use of human resources or local government apparatus to achieve the goals and objectives of local government organizations. Placement of human resources or local government apparatus in accordance with their expertise can improve the quality of financial reports. The internal control system (SPI) seeks to guarantee compliance with regulations in the process of preparing Financial Statements

Ideally, with the implementation of the Internal Control System (SPI) in human resource management in local governments, there will be a division of tasks, responsibilities, and authorities for each part within the organization. This means that each local government apparatus in a certain section or department will understand and understand what duties, responsibilities, and authorities must be carried out. The general objective of the Internal Control System (SPI) is to achieve operational efficiency and effectiveness.

The results of this study are in line with research conducted by Fikri, Inapty, & Martiningsih (2016) regarding "The Influence of the Application of Government Accounting Standards, Apparatus Competence and the Role of Internal Audit on the Quality of Financial Statements Information With Internal Control Systems as Moderating Variables (Empirical Studies on SKPD- SKPD in the Provincial Government of NTB)" stated that the internal control system could not moderate the application of Government Accounting Standards (PSAP), the competence of the apparatus, and the role of Internal Audit.

Therefore, based on some of the explanations above, it can be assumed that the existence of an Internal Control system (SPI) that is well utilized by local governments in the process of preparing financial reports in accordance with Government Accounting Standards (SAP) can strengthen human resources in improving the quality of financial reports in West Sulawesi Province.

6.4. Internal Control System (Z1) Moderating the Effect of BMD Administration (X2) towards Financial Report Quality (Y)

The results of this study are in accordance with the hypothesis (H4) that was built. Referring to the data from this study, the internal control system variable can moderate the influence between the administration of regional property on the quality of financial reports. This means that the more the government improves the internal control system, the more it can strengthen the management of regional property administration to create quality Financial Reports.

The management of regional property will be realized if it is strengthened by internal control. This is in line with research conducted by (Feng, Li, McVay, & Skaife, 2015). Where in his research says that good

control has a significant effect on the company's financial reporting, including the management of regional property. The internal control system has a very important role in the management of regional property to reduce the number of intentional and unintentional fraud so that asset management can be realized following applicable regulations (Sari, 2014). The better the implementation of the internal control system in the application of regional asset management, the state goods (assets) will be maintained and financial reporting will be of higher quality (Ekayanti, Rifa, & Irwan, 2018).

The results of the study prove that the internal control system can strengthen the effect of regional property administration on the quality of financial reports. This is because the knowledge of the internal control system and the respondent's education level are mature enough. A quality internal control system certainly supports the management of goods and makes it easier for auditors to evaluate the implementation of regional asset management. And can help the process of inventorying asset data so that it can be used as raw material for reporting on the management of regional property.

VII. CONCLUSION

7.1. Conclusion

1. Human resources affect the quality of financial reports. The test results indicate that the better the quality of human resources in the government of West Sulawesi Province, the higher the quality of financial reports.
2. Administration of regional property directly affects the quality of financial reports. The test results indicate that the better the administration of regional property in the West Sulawesi Provincial government, the higher the quality of financial reports.
3. The internal control system can moderate the influence of human resources on the quality of financial reports, so that when the Internal Control System (SPI) is implemented or improved, it will strengthen human resources effectively and efficiently to achieve the goals and objectives of local government organizations. Placement of human resources or local government apparatus in accordance with their expertise can improve the quality of financial reports.
4. The internal control system can moderate the effect of the administration of regional property on the quality of financial reports, this means that the higher the administration of regional property, the more the impact on improving the quality of financial reports if moderated by the internal control system.

7.2. Suggestion

1. The results of this test on human resources can be used as a basis for the West Sulawesi provincial government to further improve the quality of human resources in preparing financial reports, by providing training facilities and ensuring that educational backgrounds and job descriptions and functions are appropriate.
2. Analyze the needs and priority scale of BMD maintenance before planning BMD, carry out comprehensive BMD census activities starting from work units/SKPD to obtain correct and accountable data on goods/assets and accurate asset values (up to date).
3. This study provides an overview of the condition of financial managers on the perceptions of managers within the scope of government in West Sulawesi Province, so that factors that are considered to affect the quality of financial reports are important to be studied and formulated in a policy so that financial management can run properly.
4. Further improving the internal control system because based on various studies, it shows that the internal control system within the government is still not optimal, there are still many employees who do not understand and obey government accounting standards which are guidelines in preparing financial statements.

7.3. Implication

1. The findings in this study can contribute theoretically to scientific development in the field of financial management. Empirical evidence related to the influence of several factors that are considered to affect the quality of financial statements can be used as a reference in further research. This is related to the internal improvement of human resource skills, and attention to the administration of regional property in its influence on the preparation of the quality of regional company financial reports.
2. The results of this study can contribute to practitioners in terms of financial management related to improving the quality of human resources in preparing financial reports for the West Sulawesi provincial government. This study provides an overview of the condition of financial managers on the perceptions of managers within the government of West Sulawesi Province, so that factors that are considered to affect the quality of financial reports are important to be studied and formulated in a policy so that financial management can run as it should.

7.4. Limitation

1. Research variables are measured based on the perception of respondents who are also research subjects so that it can cause bias in obtaining data, especially for testing human resources, administration of regional property, internal control systems, and the quality of financial reports. Over-assessment or the attitude of answering modestly produces different findings and is not right on target.
2. Due to the busyness of respondents, and the COVID-19 pandemic, researchers have difficulty getting data quickly and accurately, so it takes quite a long time to get or collect the results of questionnaire answers.
3. The data collection in this study was carried out in a cross section or at a certain time so that the possibility of dynamics and changes in conditions that were not detected at different time periods.

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