

**THE EFFECT OF MONITORING, INFORMATION SYSTEM AND  
GOVERNMENT ACCOUNTING STANDARD ON QUALITY OF  
REGIONAL FINANCIAL REPORT OF GOVERNMENT AGENCIES  
(SKPK) AT CENTRAL ACEH DISTRICT, PROVINCE OF ACEH,  
INDONESIA**

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**ABSTRACT**

The purpose of research is examine the effect of monitoring, information systems and Governmental Accounting Standard on the quality of local government financial statements at district's government agency (SKPK) of Central Aceh District Government. The study is conducted by using census, where all the population are taken as research respondent. The population of research is 30 SKPK in district of Central Aceh. The research respondents are budget users, project manager (PPK) and expenditure treasurer at SKPK of Central Aceh. District. The analytical method used is multiple linear regression analysis using SPSS Application software..

The outcome of research indicated that monitoring, information systems and Governmental Accounting Standards (SAP) both simultaneously and partially have a positive effect on the quality of local financial statements in SKPK Central Aceh District.

**Keywords:** Monitoring, Information System, Government Accounting Standard, Quality of Regional Financial Report

**INTRODUCTION**

Good governance is one of the functions of governing that specifies the principle to provide the best service to the community for all aspects of life. This increasing demand is due to many

economic crises in Indonesia caused by poor governance and bureaucracy (Sunarsip, 2010). One of the main aspects supporting the creation of good governance is supervision. Based on the Regulation of the Minister of Home Affairs (Permendagri) Number 51 Year 2010 on Guidelines for Supervision of Local Government Implementation, supervision is a process of activities aimed at ensuring that local governments run effectively and efficiently in accordance with the plans and provisions of legislation.

The functional supervisory apparatus established by the government pursuant to the Regulation of the Minister of Home Affairs No. 44/2008 on Supervision Policies on the Implementation of Regional Government explains that the apparatus performing functional oversight within the local governmental internal environment are: 1) State Development Audit Agency (BPKP); 2) Inspectorate General of Department, Supervisor of Non Departmental Government Institution and Other Government Institution; 3) Provincial Inspectorate; 4) Regency / City Inspectorate (Kuasa, 2016). Based on Government Provisions (PP) no. 60 of 2008 on Governmental Internal Control System in Article 48 paragraph (2), regional inspectorate performs internal functional supervisory duties, namely all audit activities, review, evaluation, monitoring and other oversight activities on the organization of duties and functions of the organization in order to provide adequate assurance, That activities have been carried out in accordance with benchmarks established effectively and efficiently for the interests of the leadership in realizing accountability (Kuasa, 2016). In addition, supervision activities are also conducted by external parties, namely the community and the House of Representatives (DPRD) to oversee government performance (Mardiasmo, 2010).

In addition to supervision, it is no less important in relation to the local financial statements of information systems. The ability of information to increase user's knowledge and belief in decision making is called information value (Suwardjono, 2010). Parties that use or as users of the government's financial statements include the public, representatives of the people, supervisory agencies, examining agencies, parties who give or take part in the donation process, the press council, investors, creditors and other interested parties (Mahmudi, 2010).

Utilization of system or information technology will greatly accelerate the processing of data transaction and presentation of government financial statements, so as not to lose the value of information (Winidyaningrum and Rahmawati, 2010). If it is not in accordance with the regulations set by the government, it can lead to regional losses, the potential for local financial deficiencies, lack of acceptance, administrative weakness and waste (Sukmaningrum, 2009). This is mentioned in the conceptual framework of Governmental Accounting Standards (PP No. 71 of 2010 on SAP) which includes relevant, reliable, comparable and understandable (Haza, 2014).

As one form of accountability in governance arranged in Law Number 17 Year of 2003 regarding the State Finance and Law Number 32 Year of 2004 regarding Regional Government, concrete efforts to realize transparency and accountability of local government financial management is to submit accountability report of the implementation Budget in the form of financial statements (Haza, 2014). PP no. 71 of 2010 on Government Accounting Standards states that cash-based accrual-based SAP (CTA) is applicable during the transition period for entities not yet ready to apply accrual basis accounting for the maximum of four years after the fiscal year of 2010. This means that the accrual accounting implementation should be implemented in 2015 (Satrio et al, 2016). Permendagri No. 64 of 2013 on the Implementation of Accrual-Based SAP to Local Governments mandates that local governments should provide regulatory and policy instruments related to the implementation of the accrual-based SAP (Satrio et al, 2016).

The implementation of Government Accounting Standard (SAP) is believed to have an impact on improving the quality of financial reporting in central and local government (Nordawati and Hertianti, 2010). With the implementation of SAP, the local government financial statements will have good information quality (Udiyanti et al., 2014). SAP is required to improve the quality of financial statements that include consistency, appeal, comprehension, relevance and reliability of financial statements (Mahmudi, 2011).

Research conducted by Haza (2014) shows that the utilization of information technology and local financial supervision, both equally significantly positive effect on the quality of local government financial statements. Then a similar study was also conducted by Munasyir (2015), which proves that the implementation of government accounting standard and internal control system affect the quality of financial statements of regional work units. Therefore, the research aim is purpose of research is to investigate the effect of supervision, information systems and governmental accounting standards on the quality of local financial statements at the working units of the central Aceh. This paper begins by discussing the understanding of the quality of financial statements, monitoring, information systems and SAP. Then proceed with analytical methods and discuss the results of hypothesis testing.

## **LITERATURE REVIEW**

### **The Quality Financial Report**

Jonas and Blanchet (Indriasih, 2014), states that the quality of financial report will produce useful information for the stakeholders in need. The quality of financial report contains all information presented in a complete and transparent, easy to understand and do not confuse people who read or use it. Heizer & Render (Setyawati, 2013), states the quality of the overall

features and characteristics of a product or service that rely on its ability to satisfy the needs of users, whether expressed directly or implied.

Similarly, Huang in the same source mentions that the quality of information is grouped into four classes: 1) Intrinsic quality includes accuracy, objectivity, trust and reputation; 2) Accessibility quality includes access and security; 3) Contextual quality includes relevance, added value, timeliness, completeness and amount of data; 4) Quality of representation consists of ease in understanding interpretation / interpretation, concise and consistent representation. The financial statements can be declared good or qualified if it meets the specified characteristics. Qualitative characteristics of financial statements according to PP. 71 Year 2010 on Government Accounting Standards (SAP) are normative measures that need to be manifested in accounting information, so as to meet its objectives, that is understandable, relevant, reliable and comparable. The financial reports provide information on the source and use of financial resources/economy made up of seven components of financial reports, namely: a) the Budget Realization Report (LRA); b) Statement of Changes Over Budget Balance (Statement of Changes in SAL); c) Balance Sheet; d) Reports of Operations (LO); e) Reports of Cash Flows (LAK); f) Statement of Changes in Equity (LPE); and f) Notes to the Financial Reports (CaLK). Understanding financial reports in accordance with Regulation No. 71 Year 2010 is structured reports on the financial position and transactions made by a reporting entity that is required to submit an accountability report, which consists of: a) the Central Government; b) The local government; c) Each Ministry in the central government; and d) An organization in the central/regional or other organizations if the statutory financial reports of the organizational unit should have. Then Beesst et al. (2009), states that the dimensions that must exist in qualified financial statements should be based on Government Accounting Standards (SAP) that are relevant, reliable, comparable and understandable.

### **Monitoring**

There is a need for supervision in the management of local budgets (Mardiasmo, 2010). According to Yosa (2010), supervision is a systematic effort to define a standard performance in planning to design an information feedback system, to compare actual performance with predetermined standards, to determine whether there has been an aberration and to take remedial action Which is necessary to ensure that an organizational or government data source has been used as efficiently as possible in order to achieve organizational or governmental goals. Permendagri No. 51 of 2010 on Guidelines for Supervision of Local Government Implementation states that supervision is an operational technical provision which regulates the procedures for implementation of supervision over the implementation of local government (functional supervision). Based on the Regulation of the Minister of Home Affairs No. 44/2008 on Supervision Policies on Local Government Implementation, the government established an

apparatus that carries out functional oversight within the local government's internal environment, namely: 1) Badan Pengawasan Keuangan dan Pembangunan (BPKP); 2) Inspectorate General of Department, Supervisor of Non Departmental Government Institution and Other Government Institution; 3) Provincial Inspectorate; 4) Regency/City Inspectorate (Kuasa, 2016). Arens et. al. (2012) states that the purpose of implementation of supervision is to achieve a quality of financial statements. Stoica and Diaconasu (2012) argue that over the past twenty years, mutations in the national financial system, such as deregulation, globalization of financial markets, disintermediation and technological change, have a direct impact on financial oversight governance.

### **Information System**

Laudon (2005) defines technically information systems as interconnected components of components collecting (or retrieving), processing, storing and distributing information to support decision making and control within an organization. Furthermore, according to Bagranof et al. (2010), it can be understood that the accounting information system is a collection or totality of data and processing procedures that generate information for user needs. In the opinion of Hall (2011), the purpose of the accounting information system is essentially to provide accounting information to external parties, management and operational personnel. Furthermore Mujilan (Sagara, 2015), argues that accounting information system is a composition of various forms of records, equipment, including computers and other equipment and communication tools, personnel personnel and coordinated reports designed to transform data into information required by financial management or other users.

### **Government Accounting Standards (SAP)**

According to Bastian (2010), Government Accounting Standards (SAP) are the accounting principles applied in preparing and presenting the government's financial statements. Then Nufus (2015), suggested that SAP is a concept applied in the preparation and presentation of government financial statements. SAP in the public sector is set out in IAS 45, which regulates accounting standards for non-profit entities, generated financial statements, elements of financial statements and accounting standards used by governments.

But in line with the need and development of the times, the government held reforms in the field of state finance in the form of a change from the cash accounting base to accrual basis of accounting, which is stipulated by Government Regulation No. 71 of 2010. The reform is done to improve transparency and accountability of state financial management and follow the standard Best international in terms of accounting adjusted to the conditions of Indonesia (Satrio et al, 2016). Permendagri No. 64 of 2013 on the Implementation of Accrual-Based SAP to Local

Governments mandates that local governments should provide regulatory and policy instruments related to the implementation of the accrual-based SAP (Satrio et al, 2016).

In connection with that, Susilawati and Sudarno (2014) stated that in accordance with the mandate of Law no. 17 of 2003 on State Finances, the government has established PP no. 71 of 2010 on Accounting Standards Governments are adhered to accrually. In addition, with the accrual-based SAP, public policy and government will be more responsible for its performance (Bellanca et al, 2015). Furthermore, in another opinion (Anonymous, 2008), it is stated that the regulatory body establishes requirements on financial statements in certain sectors including banking and insurance supervisory authorities.

## **RESEARCH METHOD**

This study aimed at testing research hypotheses. The type of investigation carried out is the study of causality (*causal study*), which is the time spent in data collection is a *cross-sectional*, and analysis unit is organizational. The population in this study are all working unit in the Central Aceh district consisting of 30 units of work and data source used are primary data. This study is a census, so the significance testing was not done. Data analysis techniques in this study to test the hypothesis using multiple linear regression analysis technique which is a statistical technique used to test the effect between two or more variables and to see the effect of partial and simultaneous. Multiple linear regression equation used in this study are as follows:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Description:

Y	=	Quality of Financial Reports
$\alpha$	=	Constant
$\beta_1, \beta_2, \beta_3$	=	coefficient of X1, X2 and X3
X1	=	Monitoring
X2	=	Information System
X3	=	SAP
$\varepsilon$	=	Other variables that affect the Y

## **RESULTS AND DISCUSSIONS**

### **RESULTS:**

**Results of hypothesis testing can be seen on the following table:**

**Table 4.1: Hypothesis Testing Results**

Model	Unstandardized Coefficients		T	Sig.
	B	Std. Error		
Constanta	1,787	3,816	,468	,644
Monitoring	,542	,159	3,400	,002
Information System	,822	,221	3,726	,001
SAP	,082	,152	,541	,593
Correlation Coefficient (R)	= 0,949			
Determination Coefficient (R <sup>2</sup> )	= 0,901			
Adjusted R Square	= 0,889			
Sig. F	= 0,000			

Sources: Processing Data Output. 2017

Based on Table 4.1, it can be formulated the multiple linear regression equation as follows:

$$Y = 1,787 + 0,542X_1 + 0,822X_2 + 0,082X_3 + \epsilon$$

Based on the regression equation above the constant of 1.787 indicates if the monitoring variables, information system and SAP are considered constant, then the value of the quality of the regional financial statements is 1,787 units on the interval scale.

**DISCUSSIONS:**

***The Effect of Monitoring, Information System And Government Accounting Standard on Quality of Regional Financial Report at Government Agency (SKPK) of Central Aceh District, Aceh Provincel***

The simultaneous test results (together) indicate that supervision, information systems and SAP jointly affect the quality of local financial statements Central Aceh District. This means that the quality of financial statements is determined jointly by monitoring, information systems and SAP. Correlation Coefficient (R) of 0,949 can be interpreted that the degree of relationship between independent variables to the dependent variable of 94,9% (greater than 50%). This means that supervision, information systems and SAP have a positive and strong relationship with the quality of local financial statements. While the Coefficient of Determination (R<sup>2</sup>) of 0,901 indicates that the quality of local financial statements is influenced by monitoring, information systems and SAP of 90,1%, while the rest of 9,9% is influenced by other variables not included in this study, Of other variables determine the quality of the financial statements of the district of Central Aceh.



The result also reveals that the quality of financial statements can be achieved if the SKPK has the supervision and application of SAP in accordance with applicable provisions, and utilize the information system well in the preparation of financial statements. With the availability of quality information, it is expected that government financial reports can play a predictive and prospective role.

Predictive is intended to provide useful information to predict the amount of resources needed and generated for sustainable operations, the magnitude of the risks and associated uncertainties. While prospective intended to be able to present information in accordance with the budget and the provisions and compliance with the limits of budget usage set in the APBN/APBD. Therefore, the characteristics of financial statements to be useful should provide relevant, reliable, understandable and comparable information (PP No. 71 of 2010).

***The Effect Of Monitoring on Quality of Regional Financial Report at Government Agency (SKPK) of Central Aceh District, Aceh Provincel***

The result of partial research shows that the regression coefficient value  $\beta_1 \neq 0$  so it can be concluded that the null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is not rejected. This means that supervision has a positive effect on the quality of local financial statements. Coefficient 0,542 means that if supervision increases 1 unit then the quality of regional financial report will rise 0,542 unit. That is, the higher and stronger supervision in the preparation of financial statements will further improve the quality of financial statements. The results of this study are supported by the study of Proxy (2016) which examines the influence of local financial supervision on the quality of SKPK financial statements in the district government. The results showed that simultaneous and partial monitoring had a positive effect on the quality of SKPK's financial statements in district government.

Although the application of SAP to SKPK in Aceh Tengah Regency is largely not yet fully implemented but it is armed with training and experience, SKPK understands all stages of preparing good financial statements. Therefore, the local financial managers should continue to improve performance for the implementation of quality and consistent financial reports through increased education, training activities, socialization, as well as increased understanding and ability to the functions and tasks carried.

***The Effect Of Information System on Quality of Regional Financial Report at Government Agency (SKPK) of Central Aceh District, Aceh Province***

The result of the research partially shows that the regression coefficient value  $\beta_2 \neq 0$  so it can be concluded that the null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is not



rejected. The results of this study meant that the information system has a positive effect on the quality of local financial statements. Coefficient of 0.822 means if the information system rises 1 unit then the quality of regional financial statements will rise 0.822 units. This means the amount of utilization of information systems in the preparation of financial statements will further improve the quality of financial statements. The results of this study are consistent with that done by Diani (2014) that there is a significant positive influence between the understanding of financial accounting information systems on the quality of local government financial statements. In research Pratiwi et al. (2015) also proves that the variable utilization of information technology positively and significantly influence the value of local government financial reporting information.

***The Effect Of Government Accounting Standard on Quality of Regional Financial Report at Government Agency (SKPK) of Central Aceh District, Aceh Province***

The result of partial research shows that the regression coefficient value  $\beta_3 \neq 0$  so it can be concluded that the null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is not rejected. The figure indicated that the application of SAP has a positive influence on the quality of local financial statements. Coefficient of 0.082 means if the application of SAP up 1 unit then the quality of regional financial statements will rise 0.082 units. That is, the increased application of SAP in the preparation of financial statements it will further improve the quality of financial reports on the area in the District of Central Aceh.

**CONCLUSIONS**

1. The supervision, information system and SAP have a positively simultaneous influence on the quality of financial report of government agency.
2. The application of SAP to SKPK in Aceh Tengah Regency is well supported by job description, educational background, training and skills and work experience of which capable of producing qualified financial statements.
3. The government accounting standards or SAP has an influence on the quality of local financial statements.

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