

# Analysis of Factors Affecting the Quality of Local Government Financial Reports in Mandailing Natal District

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## ABSTRACT

This study aims to determine and analyze the effect of organizational commitment, internal control systems, and partial and simultaneous human resource competencies on the quality of regional financial statements in the Regional Government of Mandailing Natal Regency, North Sumatra Province.

This type of research is associative explanatory research, which was carried out using a quantitative approach. The population used in this study is all Mandailing Natal Regency Regional Apparatus Organizations (OPD). At the same time, the sample of this research consisted of 73 respondents, including the Chairperson of the OPD, the Secretary, and the Head of Finance of each OPD. The data collection technique used in this study is a questionnaire method. The data analysis technique used is multiple linear regression analysis, carried out with the help of SPSS software.

The results obtained in this study show that organizational commitment, internal control systems, and human resource competencies partially have a positive and significant influence on the quality of financial statements in the Mandailing Natal Regency Government. In addition, the results of simultaneous testing also show that organizational commitment, internal control systems, and human resource competencies

are proven to influence the quality of financial statements significantly in the Mandailing District Government.

**Keywords:** *organizational commitment, internal control system, human resource competencies, and regional government financial statements quality.*

## INTRODUCTION

Based on Government Regulation Number 24 of 2005 concerning Regional Government Financial Statements, they must follow Government Accounting Standards (SAP) under the purpose of this enactment, which is to be more accountable for improving the quality of financial statements. According to Government Regulation Number 71 of 2010 concerning Quality Financial Statements, relevant financial statements are reliable, can be compared, and easily understood. Relevant means having the benefits of feedback, predictive benefits, on-time, and completeness. Andal is free from misleading information, is arranged honestly, and can be verified. Furthermore, financial statements can be compared with previous periods as a form of government performance appraisal. The financial statements presented must be easily understood by readers and used as information for financial statement users. Competent state institutions need an assessment to determine the quality of state/regional finances. Financial inspection of the financial statements is carried out by

the Supreme Audit Agency (BPK) to provide an opinion statement regarding the level of reasonableness of the information presented in the government financial statements. The opinion is a professional statement of examiners regarding the fairness of financial information presented in the financial statements consisting of four types of opinions that can be given by the examiner, namely the unqualified opinion (UO), qualified opinion (QO), Adverse Opinion (AO), and Disclaimer of Opinion (DO).

The results of the examination conducted by the BPK showed that in the first semester of 2022, the BPK had examined 541 Regional Government Financial Statements (LKPD). The examination included an examination of the 2021 LKPD, namely the balance sheet as of December 31, 2021, the Budget Realization Report, the Report on Changes in Budget Balance, the Operational Report, the Cash Flow Report, and the Report on Equity Changes For the year ended on that date, as well as notes to the Financial Statements.

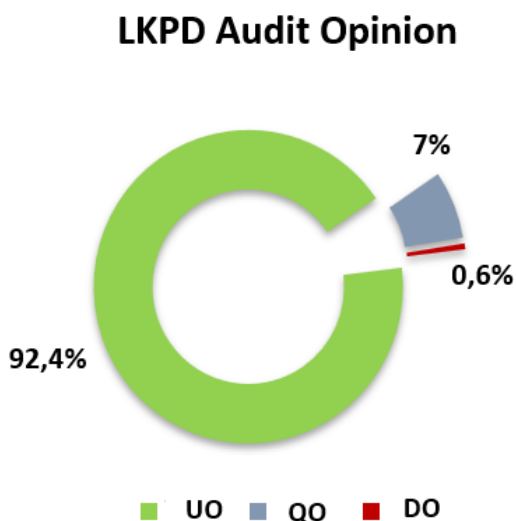
achievements of 2020, the number of LKPD in 2021 who received UO opinions has increased. In LKPD in 2020, 486, while in LKPD in 2021, as many as 500 LKPD received UO.

In addition, in the last five years (2017-2021), the LKPD opinion has improved. During this period, LKPD, which received UO, increased by 16.4 percent, from 76% LKPD in 2017 to 92.4% LKPD in 2021. Meanwhile, the number of LKPD receiving QO decreased by 14 percent, from 21% in LKPD in 2017 to 7% in 2021. However, the ignition does not apply to the Regional Government of Mandailing Natal Regency, which continues to obtain QO opinion throughout 2017-2021 (BPK-RI Representative of North Sumatra, 2021).

**Table 1. The phenomenon of Audit Opinion of the Regional Government of Mandailing Natal Regency's Financial Statements**

No	Fiscal Year	BPK Opinion
1.	2017	Qualified Opinion (QO)
2.	2018	Qualified Opinion (QO)
3.	2019	Qualified Opinion (QO)
4.	2020	Qualified Opinion (QO)
5.	2021	Qualified Opinion (QO)

Source: [www.sumut.bpk.go.id](http://www.sumut.bpk.go.id)



**Figure 1. The Phenomenon of The LKPD Audit Opinion Results**

Based on the results of the BPK examination on 541 LKPD in 2021, the regional government that received unqualified opinion (UO) was 500 (92.4%) LKPD, qualified opinion (QO) over 38 LKPD (7%), and Disclaimer of Opinion (DO) over 3 (0.6%) LKPD. Compared with the

The table above shows that from 2017 to 2021, the Regional Government of Mandailing Natal Regency consistently received a fair opinion with an exception. The "reasonable with exception" opinion shows that several things need attention and improvement in the Mandailing Natal district government's financial statements. Therefore, an in-depth evaluation needs to be done to find out more and understand the areas that need to be improved in the financial statements of the Mandailing Natal Regency Government.

BPK revealed that problems are broadly divided into two categories: 1). compliance problems; Deviations of administrative and weaknesses of the Internal Control System (SPI), 2). Performance problems: Inaccuracy, inefficiency, and ineffectiveness (BPK, 2023).

**Table 2. Problems of The Fairness of The Financial Statements of Mandailing Natal Regency In 2021**

No	The Account Problems	Explanations
1	Current Assets	<ol style="list-style-type: none"> <li>1. Cash is used for activities that are not under their designation and not under statutory provisions.</li> <li>2. Rural and Urban Building and Building Tax Receivables (PBB P2) have not been invalid or completed verification and validation.</li> </ol>
2	Fixed Assets	<ol style="list-style-type: none"> <li>1. Recording of fixed land assets, equipment and machines, buildings and buildings, roads, irrigation, and networks have not been carried out or are inaccurate.</li> <li>2. The presentation of fixed assets is not supported/equipped with a list of details of assets, proof of ownership, and the identity of goods and fixed assets of their existence.</li> <li>3. Renovation, rehabilitation, and other costs after acquiring fixed assets have not been capitalized to the parent permanent asset.</li> <li>4. Construction presentation in work is not based on the Minutes of Job Progress Assessment.</li> </ol>
3	Capital Expenditure	<ol style="list-style-type: none"> <li>1. The overpayment of capital expenditure due to lack of work volume, discrepancy of job specifications, work not carried out, payment exceeding work performance, and price indications have not been recovered by depositing to the regional treasury.</li> <li>2. Realizing land capital expenditure on land compensation is not per the provisions.</li> <li>3. The realization of capital expenditure exceeds physical realization and is not supported by valid work contracts, and the local government has not received the procurement of goods.</li> </ol>

**Source: (IHPS, BPK-RI)**

Based on the problems experienced by the Regional Government of Mandailing Natal Regency, as explained above, show that there are problems related to accounts such as current assets, fixed assets, and capital expenditures can affect the fairness of the presentation of LKPD Mandailing Natal, so that the financial statements produced to be less quality. Several things need to be considered, namely organizational commitment, internal control system (SPI), and HR competencies, to improve the quality of financial statements.

Research conducted by Nurlizarni et al. (2022), Aziyah and Yanto (2022), Samita and Hasan (2023), Ansyori and Andesto (2022), and Taher et al. (2023) states that organizational commitment has a significant effect on the quality of financial statements. This research does not align with Hernanda and Setyawati (2020), who state that organizational commitment has no significant effect on the quality of financial statements.

Research conducted by Abed et al. (2022), Lennox and Wu (2022), Kuntadi et al.

(2022), Nur et al. (2023), and Rahmawati et al. (2022) states that the internal control system has a significant effect on the quality of financial statements. However, it differs from the results of research conducted by Lestari and Ardini (2023), who found that the internal control system did not affect the quality of regional financial statements.

Research conducted by Barokah et al. (2023), Pasaribu (2023), Hidayati and Kinasih (2023), Hastuti (2023), Ramadhan et al. (2023), and Sabrina and Zuhri (2023) explained that the competence of human resources has a significant effect on the quality of financial statements. However, this differs from Aminah et al. (2019), who said that human resource competencies did not affect the quality of regional financial statements.

There are differences in the results of conflicting research as described above, as well as the phenomena that show that the quality of the financial report in the Mandailing Natal Regency Government is not optimal, motivating the author to re-research these variables. So, research entitled

"Analysis of Factors Affecting the Quality of Regional Government Financial Statements in Mandailing Natal Regency" becomes interesting.

## **LITERATURE REVIEW**

### **Quality of Financial Statements**

According to Government Accounting Standards (SAP) Number 71 of 2010, financial statements are structured reports regarding financial position and transactions carried out by a reporting entity. The objectives of the financial statements consist of general objectives and specific objectives. The general purpose of the financial statements is to present information about the financial position, budget realization, cash flow, and financial performance of a reporting entity that is useful for users in making and evaluating decisions regarding resource allocation. The specific objective of financial statements in government financial reporting is to provide helpful information for decision-making (PP No. 71 of 2010).

According to Government Regulation Number 71 of 2010, there are four types of financial information quality characteristics: this information must be relevant, reliable, can be compared, and can be understood. Relevant means that the information in the financial statements must be able to help make decisions. Reliable or reliable means the information contained in the financial statements is presented correctly. It can be compared, which means the information in the financial statements must be compared with information from financial statements in previous years. Moreover, financial statements must be understood. That is, financial statements must be made as nominative as possible so that users of financial statements can easily understand the contents presented in the financial statements (Kusnadi et al., 2022).

### **Organizational Commitment**

Organizational commitment is built based

on worker trust or organizational values, workers' willingness to help realize the organization's goals, and loyalty to remain a member. According to Meyer et al. (1997), there are three dimensions of organizational commitment, namely:

1. Affective commitment occurs when employees want to be part of the organization because of the emotional bond;
2. Continuance Commitment arises if employees remain in an organization because it requires salaries or other benefits or the employee does not find other jobs;
3. Normative commitment arises from the values of employees. The employee survived to be a member of the organization because of an awareness that commitment to the organization should be made.

Organizational commitment will encourage employees to achieve budget realization targets under the targets to be achieved because employees supported by a high commitment to the organization will work under the flow of the organization's goals and sacrifice their interests in the organization's interests.

When employees in the Regional Apparatus Organization (OPD) have a high level of commitment to the principles of integrity and accountability in the preparation of local government financial statements, they will be willing to do work seriously (Samita and Hasan (2023), running strict procedures, as well as involving themselves in the financial reporting process. Organizational commitment can motivate employees to maintain honesty in financial reporting and reduce the risk of error or fraud in preparing financial statements.

### **Internal Control System**

The Government Regulation of the Republic of Indonesia No. 60 of 2008 concerning the Government Internal Control System (SPIP) has several elements of the internal control system in

the government, namely;

1. Control Environment: The leadership of government agencies and all employees must create and maintain the environment in all organizations that give rise to positive and conducive behavior to support a healthy internal control system and management.
2. Risk assessment: Internal control must assess each organization's risks from outside and within.
3. Control activities: Control activities help ensure that the leadership of government agencies is carried out efficiently and effectively to achieve organizational goals, and they are under the size, function, and task of a government agency concerned.
4. Information and communication must be recorded and reported to government agencies and other parties. Information is presented in a particular form and means and on time, which is carried out effectively to enable the leadership of government agencies to carry out their control and responsibilities.
5. Internal control monitoring must be able to assess performance information from time to time and ensure that the recommendations of the results of audits and other reviews can be immediately followed up. The internal control system is monitored through sustainable monitoring, separate evaluation, and follow-up results of audit recommendations and other reviews.

In local government financial management, the internal control system plays an essential role in reducing the risk of error, fraud, and non-compliance with regulations that may occur, where an effective internal control system can indicate that the local government has made efforts to prevent the potential for errors, misuse, and non-compliance with regulations in the financial management process. So that stakeholders can have a greater level of trust in the financial

statements presented by the local government.

### **Human Resource Competence**

Human resource competence is individuals' ability, knowledge, skills, and experience in an organization (Sunatar, 2022; Amir, 2022). The competence of human resources can also be defined as the ability and characteristics possessed by a person in the form of knowledge, skills, and behavioral attitudes needed to implement their job tasks in the work environment. Competence can also be defined as the capacity that exists in someone who can fulfill what is required by working in an organization so that the organization can achieve the expected results.

As a fundamental nature of individuals, competence can be predicted in various circumstances and job tasks as an encouragement to achieve and a desire to try to carry out tasks effectively. Someone good and poorly performing can be measured from the criteria or standards used so that a competency mismatch can distinguish someone superior from those who are limited.

In good regional financial management, every Regional Apparatus Organizational Unit (OPD) must have competent human resources supported by accounting or financial education backgrounds, often attend education and training, and have experience in the financial field. Implementation of an existing accounting system is needed. Because competent human resources will be able to understand accounting logic well, the failure of human resources in government agencies to understand and implement accounting logic will have an impact on the performance produced so that there is a mistake in financial statements made and the incompatibility of reports with the standards applied by the government. By having highly -competent employees in the field of accounting or finance, the regional government can ensure that the

prepared financial statements are accurate, according to applicable rules, and can be relied upon (Abdullah et al., 2022).

### Framework

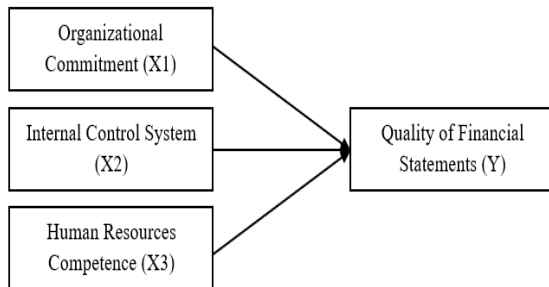


Figure 2. Conceptual Framework

H1: Organizational commitment has a positive effect on the quality of local government financial statements

H2: The internal control system positively affects the quality of local government financial statements.

H3: Competence of Human Resources positively affects the quality of local government financial statements.

H4: Organizational commitment, internal control systems, and human resource competencies simultaneously affect the quality of local government financial statements.

## MATERIALS & METHODS

This type of research is associative explanatory research, which aims to know the relationship between two or more variables. The variables connected in this study are organizational commitment variables (X1), internal control systems (X2), human resource competencies (X3) as independent variables and quality of financial statements (Y) as dependent variables. The approach in this study is quantitative because it is objective, including data collection and analysis and statistical testing methods.

The population used in this study was the Regional Government of Mandailing Natal Regency, which was involved in preparing financial reports for the Mandailing Natal Regency Government. At the same time, the sample is a collection of subjects that

represent the population. The sampling technique for respondents was carried out with a saturated sample. Namely, all members of the population were used as samples. Therefore, the sample of this research consisted of 96 respondents, including the Chairperson of the OPD, the Secretary, and the Head of Finance of each OPD.

The data collection technique used in this study is a questionnaire. The questionnaire is a method of collecting data by giving some statements or statements written to the respondents to be answered (Sugiyono, 2019). The questionnaire in this study consists of statements sourced from the indicator of the research variable. The type of data in this study is primary data. The data collection method in this study is the survey method used by the Regional Government of Mandailing Natal Regency.

Data management from the questionnaire results is quantitative and processed by Statistical Product and Service Solution (SPSS) software tools.

## RESULT

### A. Data Quality Test

#### 1. Validity Test

The validity test is carried out by correlating the score of each question item against the total score to see whether the instrument is valid. The data is valid if the correlation between each item and the total score is significant. The R-table value for this study can be determined by looking at the R-table with  $n = 73$ ,  $df = 71$ , and a significance level of 5% for one-way research, namely  $= 0.194$ .

Table 2 The Results of The Organizational Commitment Validity Test

Items	r	r-table	Description
X1.1	0,538	0,194	Valid
X1.2	0,667	0,194	Valid
X1.3	0,409	0,194	Valid
X1.4	0,559	0,194	Valid
X1.5	0,640	0,194	Valid
X1.6	0,533	0,194	Valid
X1.7	0,564	0,194	Valid
X1.8	0,581	0,194	Valid
X1.9	0,412	0,194	Valid
X1.10	0,509	0,194	Valid
X1.11	0,411	0,194	Valid
X1.12	0,489	0,194	Valid

Source: Processed data (2023)

Table 3 shows the correlation coefficient results for each statement in the organizational commitment variable, which is greater than the RTable value of 0.194 so that all items of statements in the organizational commitment questionnaire are declared valid.

**Table 4. The Results of The Internal Control System Validity Test**

Item	r	r-table	Description
X2.1	0,645	0,194	Valid
X2.2	0,743	0,194	Valid
X2.3	0,607	0,194	Valid
X2.4	0,595	0,194	Valid
X2.5	0,596	0,194	Valid
X2.6	0,621	0,194	Valid
X2.7	0,585	0,194	Valid
X2.8	0,500	0,194	Valid
X2.9	0,698	0,194	Valid

Source: Processed data (2023)

Table 4 shows the results of the correlation coefficient of each statement in the internal control system variable greater than the RTable value of 0.194 so that all items of statements in the internal control system questionnaire are declared valid.

**Table 5. The Results of The Validity Test Of Human Resource Competencies**

Item	r	r-table	Description
X3.1	0,625	0,194	Valid
X3.2	0,611	0,194	Valid
X3.3	0,737	0,194	Valid
X3.4	0,541	0,194	Valid
X3.5	0,435	0,194	Valid
X3.6	0,444	0,194	Valid
X3.7	0,555	0,194	Valid
X3.8	0,616	0,194	Valid
X3.9	0,633	0,194	Valid

Source: Processed data (2023)

Table 5 shows the correlation coefficient results for each statement in the competency variable of human resources, which is greater than the value of RTable 0.194 so that all items of statements in the Human Resource Competency Questionnaire are declared valid.

**Table 6. The Results of The Validity Test Of The Quality of Financial Statements**

Item	r	r-table	Description
Y.1	0,606	0,194	Valid
Y.2	0,715	0,194	Valid
Y.3	0,670	0,194	Valid
Y.4	0,741	0,194	Valid
Y.5	0,490	0,194	Valid
Y.6	0,394	0,194	Valid
Y.7	0,502	0,194	Valid
Y.8	0,515	0,194	Valid
Y.9	0,447	0,194	Valid
Y.10	0,534	0,194	Valid
Y.11	0,546	0,194	Valid

Source: Processed data (2023)

Table 6 shows the correlation coefficient results for each statement in the quality variable of financial statements, which is greater than the value of RTable 0.194, so that all items of statements in the quality statement quality questionnaire are declared valid.

## 2. Reliability Test

A questionnaire is said to be reliable or reliable if a person's answer to the question is consistent or stable from time to time. Reliability measurements in this study were carried out by one shot. These variables are measured once, and then the results are compared with other questions to measure the correlation between the answers to the questions. Generally, a variable is reliable if it gives a Cronbach alpha value greater than 0.70.

**Table 7. Reliability Test Results**

Variables	Cronbach Alpha	Description
Organizational Commitment	0,761	Reliable
Internal Control System	0,792	Reliable
Human Resource Competence	0,755	Reliable
Quality of Financial Statements	0,779	Reliable

Source: Processed data (2023)

Table 7 shows that the Cronbach Alpha value of each variable is organizational commitment, internal control system, human resource competency, and quality of financial statements, which is greater than 0.7, so the measuring instrument in this study is declared reliable.

## B. Classic Assumption Test Multicollinearity Test

This test aims to test whether the regression

model found a correlation between the independent variables. A good regression model should not correlate with independent variables. If the independent variables are correlated, then these variables are not orthogonal.

1. If the Vif Calculation value in the collinearity statistics is equal to or smaller than 10 (VIF count 10), a larger tolerance value equals 0.1. So, there is no relationship between independent variables (no symptoms of multicollinearity).
2. If the VIF value calculated on the collinearity statistics is greater than 10 (VIF count > 10), as well as a tolerance value smaller than 0.1. It means a relationship exists between independent variables (multicollinearity symptoms).

**Table 8. Multicollinearity Test Results**

Independent Variable	Tolerance	VIF	Description
Organizational commitment	0,999	1,001	No Multicollinearity
Internal Control System	0,879	1,137	
Human Resource Competence	0,879	1,137	

*Source: Processed data (2023)*

Table 8 above shows the VIF value of each variable smaller than 10, and the tolerance value of each variable is also greater than 0.1. So, it can be concluded that there are no symptoms of multicollinearity in the interaction of organizational commitment variables, internal control systems, and human resource competencies.

### C. Multiple Linear Regression Analysis

The analysis technique used in this study is a multiple linear regression analysis to determine the effect of organizational commitment, internal control systems, and human resource competencies on the quality of financial statements. The results of the regression analysis for this research can be seen in the following table:

**Table 9. The Results of Multiple Linear Regression Analysis**

Research Variable	Unstandardized Coefficients B	Std. Error
(Constant)	11,146	6,144
Organizational commitment	0,220	0,092
Internal Control System	0,295	0,088
Human Resource Competence	0,392	0,114

*Source: Processed data (2023)*

Table 9 shows that the linear regression equation is joked, namely:

$$Y = 11,146 + 0.220 X_1 + 0.295 X_2 + 0.392 X_3 + e$$

These equations can be explained as follows:

1. The constant (a) = 11,146 shows a constant value, where if the independent variable value is equal to zero, then the quality variable of financial statements (Y) equals 11,146.
2. Coefficient X1 (B1) = 0.220 shows that the organizational commitment variable (X1) has a positive influence on the quality of financial statements (Y). This means that if the organizational commitment is increased by one unit, the quality of financial statements will also increase by 0.220 (22.0%), assuming that other variables are considered permanent value.
3. The X2 (B2) coefficient = 0.295 shows that the internal control system variable (X2) has a positive influence on the quality of financial statements (Y). This means that if the internal control system is increased by one unit, the quality of financial statements will also increase by 0.295 (29.5%), assuming that other variables are considered fixed values.
4. Coefficient X3 (B3) = 0.392 shows that the Competency Variable of Human Resources (X3) has a positive influence on the quality of financial statements (Y). This means that if the competence of human resources is increased by one unit, the quality of financial statements will also increase by 0.392 (39.2%), assuming that other variables are considered permanent value.
5. The standard error (E) shows the level of



disturbing error.

#### D. Hypothesis Test

##### 1. Determination Coefficient Test

The determinant coefficient (R<sup>2</sup>) measures how far the model's ability explains the dependent variable. The value is between 0-1. If the R<sup>2</sup> value is small, it means the ability of independent variables to explain the variable variables of the de. The value of R<sup>2</sup> can be seen in Table 5.11 below.

**Table 10. Determination Coefficient Test Results**

Research Model	Value
R	0,608
R Square	0,369
Adjusted R Square	0,342

Source: Processed data (2023)

Based on Table 10, the magnitude of the R square value is 0.369, which means 0.369 or (36.9%) of the independent variable, namely organizational commitment, internal control system, and human resource competencies, can explain or describe the quality of financial statements. At the same time, the remaining 63.1% is explained or described by other variables that are not included in this research model.

##### 2. Statistical Test F (Simultaneous)

The F test is used simultaneously to see the effect of all independent variables on the dependent variable, namely the quality of financial statements.

**Table 11. F (simultaneous) Test Results**

Research Model	Value
F Hitung	13,463
Sig.	0,000

Source: Processed data (2023)

Based on the table above, the results of the F test showed a significant value of 0,000, much smaller than 0.05. It means that the results of the F test show that organizational commitment, internal control system, and

human resource competency simultaneously significantly influence the quality of financial statements in the Mandailing Natal Regency Government. The t-statistical test (partial test) is carried out to see what independent variables affect the dependent variable partially,

##### 3. Test t (Partial)

The t-statistical test shows how much influence one independent variable has in explaining the dependent variable. Reception or rejection of hypotheses in a study can be done with the following criteria:

1. If the significance value of the statistic  $T > 0.05$  or, then H<sub>0</sub> is received. It means that an independent variable does not influence the dependent variable individually.
2. If the statistical t's significance value  $< 0.05$ , then H<sub>0</sub> is rejected. It means an independent variable individually (partially) affects the dependent variable.

**Table 12. T-test Results**

Research Variable	t-Count	Sig.
(Constant)	1,814	0,074
Organizational Commitment	2,390	0,020
Internal Control System	3,363	0,001
Human Resource Competence	3,430	0,001

Source: Processed data (2023)

Table 12 shows that partially organizational commitment, internal control systems, and human resource competencies significantly influence the quality of financial statements. The significance can be seen by comparing the significance value of each variable with 0.05. If the significance value  $< 0.05$ , then the independent variable partially has a significant effect on the dependent variable, and vice versa. Based on the results of the t-test above, it can be concluded regarding the partial hypothesis test results of each independent variable as follows:

1. The significance level for organizational commitment is 0.020, smaller than 0.05.

These results indicate that organizational commitment significantly influences the quality of financial statements and the value of the Beta Unstandardized Coefficient Coefficient coefficient variable, a positive organizational commitment variable, namely 0.220. These results indicate that organizational commitment positively and significantly influences the quality of financial statements in the Regional Government of Mandailing Natal Regency.

2. The significance level for the internal control system variable is 0.001, which is smaller than 0.05, and the value of the Beta Unstandardized Coefficient Variable Internal Control System variables is positive, namely 0.295. These results indicate that the internal control system positively and significantly influences the quality of financial statements in the Regional Government of Mandailing Natal Regency.
3. The significance level for the competency variable of human resources is 0.001, which is smaller than 0.05. The value of the Beta Unstandardized Coefficient of the Competency Variable of Human Resources is positive, namely 0.001. These results indicate that the competence of human resources positively and significantly influences the quality of financial statements in the Regional Government of Mandailing Natal Regency.

## CONCLUSION

Based on the results of research and discussion in the previous chapter, it can be concluded as follows:

1. Organizational commitment positively and significantly influences the quality of financial statements in the Regional Government of Mandailing Natal Regency.
2. The internal control system positively and significantly influences the quality of financial statements in the Mandailing Natal Regency Government.

3. Competence of Human Resources positively and significantly influences the quality of financial statements in the Regional Government of Mandailing Natal Regency.
4. Organizational commitment, internal control systems, and human resource competencies have significantly influenced the quality of financial statements in the Regional Government of Mandailing Natal Regency.

## LIMITATIONS

The limitations in this study include:

1. The use of questionnaires can cause biased responses from respondents due to dishonesty or respondents not being severe in answering questions, as well as questions that are incomplete or less understood by respondents.
2. This research is limited to the object of research, namely the Regional Government of Mandailing Natal Regency, so the study's results cannot be reunited with other local governments.
3. The R square value obtained in this study is 0.369, which means 0.369 or (36.9%). Independent variables are organizational commitment, internal control systems, and human resource competencies, which can explain or describe the quality of financial statements. At the same time, the remaining 63.1% is explained or described by other variables that are not included in this research model.

## SUGGESTIONS

Based on the conclusions in this study, the suggestions that can be conveyed by researchers related to these conclusions are as follows:

1. The results obtained in this study show that organizational commitment, internal control system, and partial human resource competency positively and significantly influence the quality of financial statements in the Mandailing Natal Regency

Government. So it is recommended that the Regional Government of Mandailing Natal Regency can increase these three factors. Organizational commitment can be achieved through training, socializing organizational values, and creating a work culture that encourages involvement and dedication. The Mandailing Natal Regency Government is also expected to be able to conduct evaluations and improvements, if needed, on the existing internal control system. A solid internal control system will help maintain the security and integrity of local government financial management to prevent various problems, such as misuse of funds, uncertainty, and errors that can affect the quality of financial statements. In addition, investment in the development of human resources is significant. The Regional Government of Mandailing Natal Regency must ensure that employees have sufficient knowledge and skills to carry out their duties well, especially regarding financial reporting.

2. In further research, it is recommended that researchers use other variables that are thought to affect the quality of financial statements. Further research is recommended to add independent variables other than variables tested in this study, such as information technology, accounting information systems, the role of internal audits, and the application of Government Accounting (SAP) standards.

#### **Declaration by Authors**

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