Research Paper

Explanatory Study Related to the Impact of the COVID-19 Pandemic in the Implementation of Public Sector Accountability for Financial Reporting Quality from SKPD in North Sumatera Province, Indonesia

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ABSTRACT

The present study aimed to identify and analyze (1) the impact of external pressure and environmental uncertainty on the quality of financial reporting. The population in the study was UPD North Sumatera's 99 employees and 87 participants were involved in accidental techniques. From the questionnaire and documentation study, the data were collected. The questionnaire was calculated by Structural Equation Modeling - PLS. The results of this study prove that the external pressure resulting from the COVID-19 pandemic has a significant effect on the quality of financial reporting. Increasingly, countries affected by Covid-19 pandemics such as America, Spain, and Italy have made the world economic situation worse. Although some international institutions predict the slowdown of the world economy, the International Monetary Fund (IMF) predicts that the global economy will grow minus 3%. These events indicate an external pressure on the quality of regional financial reporting in the future. It is expected that the local government will anticipate the impact of the COVID-19 pandemic, given that the outbreak is just beginning to spread in Indonesia in the second week of March 2020. The effect of the COVID-19 pandemic on environmental uncertainty has an impact on the quality of financial reporting. Specifically, the delivery performance of the TKDD through March 2020 has been influenced by another factor, namely the outbreak of the Covid-19 pandemic in other capital cities and regions of Indonesia. As a result, it has had an impact on the implementation of the distribution of TKD in other areas, due to the focus of the Central Government and the Local Government over the pandemic to date. Covid-19 pandemic outbreaks have an impact on the quality of financial reporting.

Keywords: COVID-19, External Pressure, Environmental Uncertainty, Financial Reporting Quality.

INTRODUCTION

The implementation of the control activity of internal accounting makes the public sector organization more professional in managing the country's finances. To know the efforts of accounting control which is one of them to maintain the wealth of the country, empirical research needs to find accounting control activities as an effort to prevent the emergence of losses for the country and the people. Local governments should continue to make efforts to improve the quality and accountability of regional financial management. Regional financial management governs all technical aspects encompassing regulatory, institutional, regional financial information systems, and improving the quality of human resources. Since the beginning of 2002, local governments have already made the initial

balance of the district by referring to the SAKD guidelines of the results of the team Pokja SK Menkeu 355/2001 and the Kepmendagri No: 29/2002 and the prevailing provisions and international practices.

Government Regulation No. 8 of 2006 requires that financial statements be reviewed by the Government internal Control (APIP) before submission to BPK for auditing. The review of the regional government's financial statement (LKPD) was conducted by the Inspectorate of the province and the district/Municipality Inspectorate. The financial statements presented by the regional head as a responsibility for the implementation of the budget are the responsibilities of the regional head concerned. Therefore, the regional head should make a written statement that the financial statements presented under the internal control system are adequate and under the government accounting standards.

The issue that has emerged lately relates to the global outbreak of the Covid-19 that struck almost all over the world. Possible decline in performance due to the influence of depressed economic change due to Covid-19. The most affected company is the manufacturing industry. The industry is one of the biggest contributors to Indonesia's gross domestic product (GDP) last year. The contributions given from this industry in GDP 2019 are recorded at 19.62%. The contribution is far above trade, agriculture, construction, and mining.

To date, the local government has had a balance sheet of 169 regional government based on the results of the assistance conducted by BPKP as a member of Team Pokja 355/2001. But until the end of the year 2009, all regions in Indonesia, only 10 (ten) Regional government financial statements (LKPD) received a title of opinion WTP (Reasonable without exceptions) from BPK RI. Several district/city governments in North Sumatera province received an opinion predicate "Reasonable with exception" (WDP) from

the Financial Audit Board of INDONESIA (BPK). Achieving WDP opinion does not mean that the region is free from irregularities.
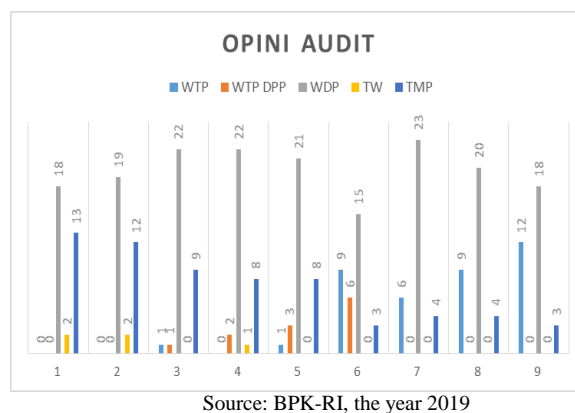
Source: BPK-RI, the year 2019

Figure 1. The opinion of the financial report of district or city government for North Sumatera province, the audited year 2009 – 2017.

Based on the audit of the local government financial statement (LKPD) from 2009 to 2017, the audit opinion is less satisfactory. The graph shows the average majority of each region having the opinion "Reasonable with Exception." As much as 18 to 23 regions annually, the second is "no opinion" with a range of 2 to 13 regions. There are many regions in the province of North Sumatera that are given the predicate "reasonable with the exception" (WDP), and there are some areas that have the opinion "Fair without exception" (WTP) and do not give an opinion (TMP). The largest percentage of audit opinions is "reasonable with exception" (WDP). The findings of this audit describe the quality of financial statements that still need to be addressed by each period to achieve better quality. The low quality of the report may be caused by a lack of quality implementation which is still weak. This case is emphasized by the regional head of North Sumatera province which has been caught in the corruption case. This condition is seen from human resources that have not been able to demonstrate its quality in managing the regional finances, for this reason, the authors sought to assess the factors that might influence the quality of the financial reporting of the local government. Also, the

Financial Audit Board asserted that there is a potential loss of Rp. 8,3 trillion from the results of the financial report of the Government in North Sumatera until semester II of 2015. The high potential of financial loss compared to other districts in North Sumatera province shows the low quality of financial reporting. Some of the above phenomena indicate that there is a weakness in protecting the state assets thereby strengthening the demands of accountability. The authors view the implementation of public sector accounting control implemented by one of the regional financial Management Unit (SKPKD) in North Sumatera province is a social reality that is structured with the social interaction between the various parties. Therefore, in this study, the authors researched a qualitative approach to explore the implementation of public sector accounting control implemented especially with regards to the effectiveness of public sector accounting control.

LITERATURE REVIEW

After the enactment of regional autonomy in Indonesia following the decentralization of budget, it increases the need for an accounting control system. The purpose of accounting information for the user is to achieve judgment and better decisions (Martin, 1994). The accounting system is the most important part of the spectrum of overall control mechanisms used, to motivate, measure, and sanctify the managers 'and employees ' actions of an organization (Macintosh, 1994). An effective accounting system is a prerequisite for better performance (Darma, 2004). It illustrates that the more use of accounting control systems will lead to an increased organizational performance by encouraging better decision-making and control of financial activities by managers.

Quality of regional financial reporting

Financial statements are a major medium for communicating financial information to parties outside the entity.

There is a piece of asymmetrical information and potential conflict of interest among the company's management and users of outside financial information, an audit of financial statements by a third party is expected to improve the quality of financial information reported by the management. It is for a financial statement that may benefit its users therefore the financial statements should have a quality information value and useful in decision making. The quality of financial statements is reflected in qualitative characteristics. According to the Government Accounting Standards Committee (2005: KK-10), qualitative characteristics of financial statements are the normative measures that need to be embodied in accounting information to fulfill their objectives. The normative prerequisites required for government financial statements can meet the desired quality, which is relevant, reliable, compared, and understood.

According to the regulation of the Minister of Home Affairs No. 4 of 2008, concerning the guidelines for the implementation of the local government financial statement, the financial statement explained that the finance report is essentially an assertion of government management informing the stakeholders about the financial condition of the government. Components of the central/regional Government financial report as stated in article 5 of the Government Regulation number 8 the year 2006 concerning financial reporting and performance of government agencies at least consist of budget realization Report, balance sheet, cash flow statement and notes on financial statements.

The quality indicators of financial statements are the normative measures that need to be embodied in accounting information to fulfill their objectives. Government regulation RI Number 71 the year 2010, about SAP. Part of the conceptual framework of government accounting in paragraphs 35, states that there are four qualitative characteristics of

financial statements; Relevant, reliable, comparable, understandable. These four characteristics are a normative prerequisite that is necessary for the Government's financial statements to fulfill the desired quality.

Relevant

Relevant financial statements when information can influence user decisions and help them evaluate past or present events, and predict the future, and assert or correct their past evaluation results. Accordingly, the relevant financial report information is associated with the intent of its use. Information relevant if: (a) The feedback value of the information allows the user to assert or correct their expectations in the past. (b) Predictive value, information helps users to predict upcoming time based on past results and present events. (c) Timely, information is presented promptly to influence and benefit in decision making. (d) Complete, the government Financial accounting information is presented as complete as possible, including all accounting information that may influence decision making by observing existing constraints. The information behind each of the key information contained in the financial statements is clearly expressed, thus, the error in the use of such information may be prevented.

Reliable

The information in the financial statements is free from misleading understanding and material faults, presenting each fact honestly, and verifiable. Information may be relevant, but if nature is unreliable then the use of the information may potentially be misleading. Reliable information meets the characteristics: (a) honest presentation; the information illustrates with honest transactions and other events that are supposed to be presented or that can reasonably be expected to be presented. (b) Verifiability; information presented in a tested financial statement, when testing

more than once by a different party, the results still find a less distinct conclusion. (c) Neutrality; information is directed at the general needs and does not lead to the needs of a particular party.

Comparable

The information contained in financial statements is more useful when compared to the previous period's financial statements or other reporting entities in general. Comparisons are possible internally and externally. Internal comparisons are performed when an entity implements the same consistent accounting policy from year to year. External comparisons are performed when the compared entities apply the same accounting policies. If a government entity implements a better accounting policy than the current accounting policy, the change is disclosed during the period of change.

Understandable

The information presented in the financial statements may be understood by the user and expressed in terms and forms that are tailored to the limits of users ' understanding. For that, the user is assumed to have adequate knowledge of the activities and operation Environment of the reporting entity, and the willingness of the user to learn the intended information.

External pressure

Institutional theories predict that organizations will become more similar due to institutional pressures, either due to coercive, normative, and mimetic. Coercive isomorphism is always associated with everything connected to the environment around the organization. Coercive isomorphism is the result of formal and informal pressures given to organizations by other organizations where the organization depends on the expectations of the culture of a society in which the organization performs its functions. DiMaggio and Powell (1983) state that coercive isomorphism comes from political influence and the need for legitimacy. Coercive power

is an external pressure given by governments, regulations, or other institutions to adopt structures or systems (Ashworth, 2009). There are rules aimed at organizing the practices to be better. On the other hand, the coercive power of a rule could lead to an organizational tendency to acquire or correct legitimacy (legitimate coercion) (Scott, 1987), hence it merely emphasizes positive aspects (Hess, 2007) for the organization to look good by outside parties of the Organization.

Frumkin and Galaskiewicz (2004) stated that external pressures could adversely affect the level of governance ability, especially those associated with the implementation of a policy or procedure. The presence of external pressure can result in SKPD practices that are formality-only to gain legitimacy. The practices referred to in this study are specific to the implementation of quality financial reporting. The benefit of the anticipation of external pressure is related to the increasing level of regional independence in its administrative activities, where local governments can further optimize the potential of its territory. External pressure indicators, in this case, relate to pressures originating from outside the SKPD such as regulations, political factors, executives, and communities. (1) Regulation that to carry out the provisions stipulated in article 70 of regulation of the Minister of Finance No. 171/PMK. 05/2007 concerning the accounting system and financial reporting of the central government, the Finance minister as Treasurer General of the State drafted the financial report of the state general treasurer. (2) Politics is a process of forming and sharing of power in the community where it is the decision-making process, especially in the country. The definition of politics is interpreted as art and science to achieve good, constitutional, and non-constitutional power. Political pressure on financial reporting occurs in the disclosure of government financial statements. (3) The society (sometimes called the Gesellschaft or Patembayan) is a group of people who form a semi-enclosed or semi-open system, of which most interactions are among individuals who reside in the group.

Environmental uncertainty

The uncertainty of the mimetic environment is an organizational tendency to model itself in the behavior of other organizations (DiMaggio and Powell, 1983), appearing in response to uncertainty (Mizruchi and Fein, 1999) to a certain standard. Mimetic isomorphism includes benchmarking and identifying the best practices in the field (Tuttle and Dillard, 2007). Uncertainty may be caused by a variety of things outside the organization, such as rapid changes in a period, the presence of different regulations with each other. Uncertainty resulted in an organization changing its processes and structures. The aspects of the uncertainty of the environment are (Marina, 2009); (1) A change of regulation or amendment of regulation is a regulation that changes other rules that have existed before. In general, regulatory changes are published to the level of regulation in the hierarchy with the amended rules. (2) Mutations are changes occurring in the genetic material either at the level of the gene level or on chromosome levels. Mutations at the gene level are called point mutations, while the mutations in the chromosomal are usually called aberrations. Mutations in genes can lead to the emergence of new tools and the basis for new variations in species. Mutations in low frequencies in nature, usually lower than 1:10,000 individuals. (3) Self-adjustment is the process of how individuals achieve a life balance to meet the needs of the appropriate environment. Self-adjustment is more a lifetime process, and people are continually striving to find and overcome the stresses and challenges of living to achieve a healthy person.

Conceptual frameworks and hypotheses

The relationship of each of the variables that the external pressure of the organizational change based on the coercive

forces will cause the organization to consider more political influence rather than technical (Ashworth, 2009). More political-influenced organizational changes will result in practices occurring within the organization, particularly regarding the implementation of the quality of financial reporting, it will only be formality aimed at obtaining the legitimacy and quality of financial statements. Organizational change either the process or the organization structure in response to environmental uncertainty is no easy thing. Organization unpreparedness of a regulatory standard will lead to low organizational understanding to transform into new regulations. In an uncertain situation, the organization leader will decide on the best response the organization might do by imitating the organization that they consider successful.

***H1a*: External pressures have a significant relationship to the quality of financial reporting**

Reliability is influenced by the uncertainty of the items recognized and measured in financial statements (Intakhan and Ussahawanitchakit, 2009). Nevertheless, the Organization will present the formal structure of the accounts that can be received (acceptable account) for each organization activity (Meyer and Rowan, 1977) to meet the expectations of society. Therefore, the quality will encourage the organization to disclose the full information about the process and practices in financial statements to meet the prerequisite of reliability quality of financial statements.

***H1b*: Environmental uncertainty has a significant influence on the quality of financial reporting**
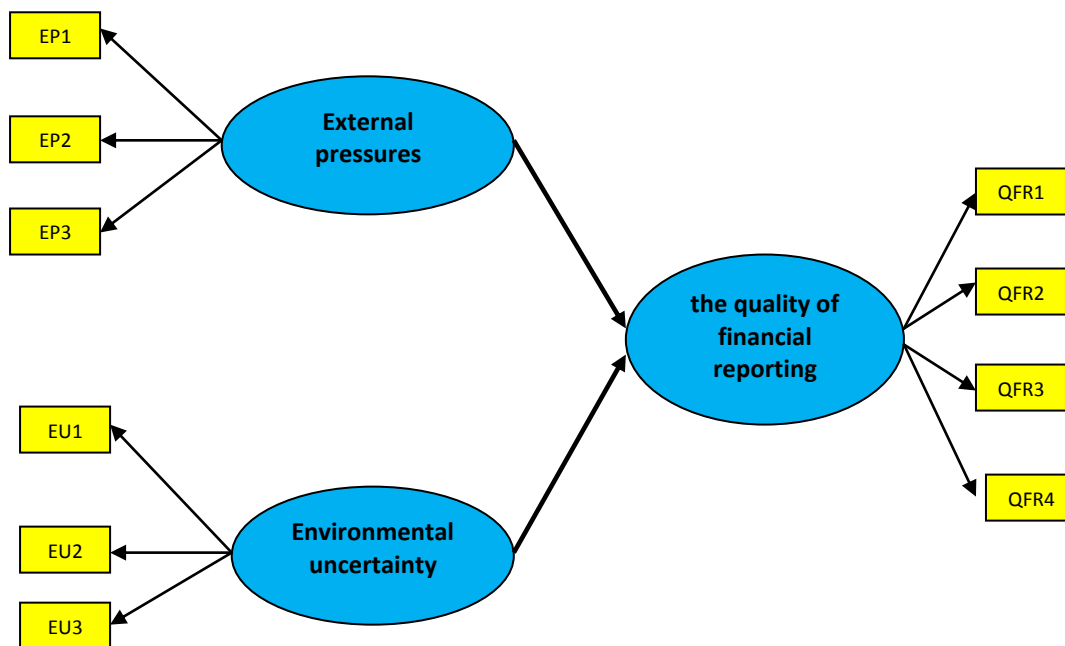

Figure 2: Conceptual frameworks

RESEARCH METHOD
Data and estimation

Data is collected through the questionnaire to the Financial Administration Office (PPK) and the technical implementation of activities (PPTK) working in SKPD and

Inspectorate, the government body in North Sumatera province which amounted to 49 SKPD up to a total of 99 participants. The sample is determined using a saturated sample technique which is a whole population called sample, as the amount is less than (< 100). As for the operationalization of the exogenous and endogenous variables and their measurements are as follows.

Table 1. Variable Operations

No	Variable	Definition	Measurement	Scale
1	External pressure	External pressures that influence the level of the Government's ability to become lower, especially those associated with the application of a policy or procedure.	1) Regulations 2) Politics 3) Community	Likert
2	Environmental uncertainty	The situation of someone who is constrained to predict the situation around them, then they try to face the uncertainty.	1) Regulatory changes 2) Mutation 3) Self-adjustment	Likert
3	Quality of financial reporting	The normative measures that need to be embodied in the accurate financial statement information, then it may fulfill the objectives	1. Relevant 2. Reliable 3. Comparable 4. Understandable.	Likert

Research Model

In this research analysis of data using the Partial Least Square approach (PLS). PLS are Structural equation Modeling (SEM) equation models based on components or variants. According to Ghozali (2006), PLS is an alternative approach that shifts from a covariance-based SEM approach to variance-based, which generally tests theoretical causality, while PLS more predictive model. PLS is a powerful method of analysis because it is not based on many assumptions (Ghozali, 2006).

$$X = TP^T + E$$
$$Y = UQ^T + F$$

Therefore, the model becomes:
$$Y = TBQ^T + F$$

Note:
T = X - scores (Exogenous latent vectors)
P = X - loadings
E = X - residual
U = Y - scores (Endogenous latent vectors)
Q = Y - loadings
F = Y - residual
U = TB (Regression from latent vectors t)

Estimated parameters generated with PLS are categorized into three. First; is the weight estimate used to create a latent variable score. Secondly, it reflects the path estimate which connects the latent variables and between the latent variables and the indicator (loading). Third, it relates to the means and location of the parameters (the value of regression constants) for indicators and latent variables. In order to generate these three estimates, PLS uses a triple-stage iteration process and each iteration stage generates an estimate. In the first stage, resulting in a weight estimate, the second stage generates an estimate for the inner model and the outer model, and the third phase generates a means and location estimation (Ghozali, 2006).

Inner Model or Structural model

The Inner Model (inner relation, structural model, and substantive theory) describes the relationship between the latent variables based on the substantive theory. The structural model was evaluated using R-square for the dependent construct, the Stone-Geisser Q-square test for predictive relevance and t-test, and the significance of the structural path parameter coefficient. In assessing the model with PLS started by looking for R-square from any of the dependent latent variables. The interpretation is the same as the interpretations of regression. Changes in the R-square value are used to assess the influence of the independent latent variable on the dependent latent variable whether it has substantive influence (Ghozali, 2006).

In addition to viewing the value of R-square, the model PLS is also evaluated by looking at the Q-square relevance predictive for the constructive model. Q-square measures how well the observation value is generated by the model and also estimates its parameters.

Measurement Model or Outer Model

Convergent validity of the measuring model with reflective indicators assessed based on the correlation between score/component score items with a score construct calculated with PLS. The reflective size is expressed high if it is correlated over 0.70 with the construction that you want to measure. Nevertheless, to research the early stages of the development scale measurement of the loading value of 0.5 to 0.60 considered sufficient (Chin, 1998 in Ghozali, 2006). Linear validity of the measuring model with reflective indicators assessed based on cross-loading measurements with a construct. If the construction correlation with the measuring item is larger than the other construct size, it will show that the latent construct predicts the size on the block better than the other block size. Another method for assessing the validity linear is to compare the value of the square root of Average Variance Extracted (AVE) of each construct by the correlation between the other construction in the model. If the AVE root value of each construction is greater than the correlation value between the construction and the other in the model, it is said to have a good linear validity value. This measurement can be used to measure the reusability of the latent variable score component and the result is more conservative than the composite reliability. Recommended AVE values should be greater than 0.50 (Fornnel and Larcker, 1981 in Ghozali, 2006). Composite reliability measuring a construct can be evaluated by two sizes, namely internal consistency and Cronbach's Alpha (Ghozali, 2006).

RESEARCH RESULTS

Overview

The distribution of questionnaires to respondents was conducted directly at the Financial Administration Office (PPK) and the technical Implementation Office of activities (PPTK) working in the Office and Inspectorate of SKPD: Agency and office in the provincial government of North Sumatera, which amounts to 35 offices. The questionnaire was disseminated on August 14, SD October 30, 2019, and the retrieval after a week of questionnaires received respondents. The number of questionnaires distributed overall to respondents as many as 99 copies. After the questionnaires were deployed 99 copies, a questionnaire returned 87 copies, which had a response rate of 88%. Details of distribution and return questionnaires are displayed in the following table 2.

Table 2. Sample and Response rate

Questionnaire	Number of questionnaires
Questionnaires spread to respondents	99
Questionnaires were not responded	(12)
Questionnaires that responded participants	87
Response Rate Questionnaire	88%

Characteristics of respondents by gender

Before conducting a discussion on statistical data must first observe the respondent data that has been determined as a sample in this study or that the respondent is 87 people consist of the following.

Table 3. Characteristics of respondents by gender

No	Gender	Number of respondents	Propose
1	Man	68	78,16%
2	Woman	19	21,84%
	Overall	87	100%

From the results of the study respondents based on the gender of the SKPD office, we can see from the table above the number of samples or male respondents in North Sumatera province, there are 68 people or 78.16%, while the number of women is 19 people or 21.84%. It can be concluded that the majority of respondents are male genders, as they tend to have better qualifications than women.

Characteristics of respondents by age.

The respondents of the North Sumatera provincial SKPD office are shown in the table explanation below.

Table 4. Respondents by age

No	Age	Total	Proportion
1	25 – 35 Tahun	39	44,83%
2	>35 Tahun	48	55,17%
	Total	87	100%

From the results of the study respondents based on the age of officials in the SKPD of North Sumatera Province, we can see from the table above, the percentage at the age of 25-35 years amounted to 39 participants or 44.83% and > 35 of the year amounted to 48 participants or 55.17%.

Characteristics of respondents based on the education level

The level of education of respondents working in the SKPD province of North Sumatera is seen in the explanation of table 5 below.

Table 5. The proportion of respondents by education level

No	Education level	Number of respondents	Proportion
1	D-3 (Diploma)	23	26,44%
2	S1 (Undergraduate)	42	48,28%
3	S2/S3 (Postgraduate)	22	25,29%
Jumlah		87	100%

From the results of respondents based SKPD officials in North Sumatera province. From the table above with a percentage on the D-3 number of 23 people or 26.44%, S1, the amount of 42 people or 48.28%, S2/S3, the number of 22 people or 25.29%. Then the majority of SKPD officials in SKPD North Sumatera province is an educated respondent to undergraduate.

Characteristics of respondents by rank/class

The rank/group of respondents working in the SKPD province of North Sumatera might also be seen in the explanation table 6 below.

Table 6. Proportion of respondents by education level

No	Rank/class	Number of respondents	Proportion
1	"Penata Muda"/III/a	13	14.94%
2	"Pengatur Muda" Tk.I/II/b	8	9.20%
3	"Penata Muda" Tk.I/III/b	18	20.69%
4	"Pengatur"/ II/c	11	12.64%
5	"Penata" / III/c	22	25.29%
6	"Penata" Tk L/III/d	15	17.24%
Total		87	100%

From the results of respondents based SKPD officials in North Sumatera province. The table above shows the percentages on "Penata Muda" /III/a number 13 people or 14.94%, "Pengatur Muda" Tk. I/II/b is 8 persons or 9.2%, "Penata Muda". I/III/b, number 18 persons or 20.69%, "Pengatur"/II/C, total 11 persons or 12.64%, "Penata"/III/C, number 22 persons or 25.29% and "Penata" Tk.L /III/D, total 15 persons or 17.24%. The majority of the number of SKPD officials in the North Sumatera province is the respondents who are the rank of Penata Muda Tk. I/III/b.

Data Analysis

The research uses Structural Equation Modeling (SEM) analysis. The Software used for this research is Smart-PLS. Theoretical models that have been illustrated in the path diagram are analyzed based on the data generated.

Assessing the Outer Model or Measurement Model

There are three criteria in the use of data analysis techniques with Smart-PLS to assess the outer model namely Convergent Validity, Discriminants Validity, and Composite Reliability. Convergent validity of the measuring model with reflective indicators assessed based on the correlation between the item/component score which is estimated with Software PLS. Individual reflective measurements are called high if they correlate more than 0.70 with a construction measured. However, according to Chin, 1998 for the early-stage research of the development scale measurement of loading value 0.5 to 0.6 is considered

adequate. In this study will be used limits
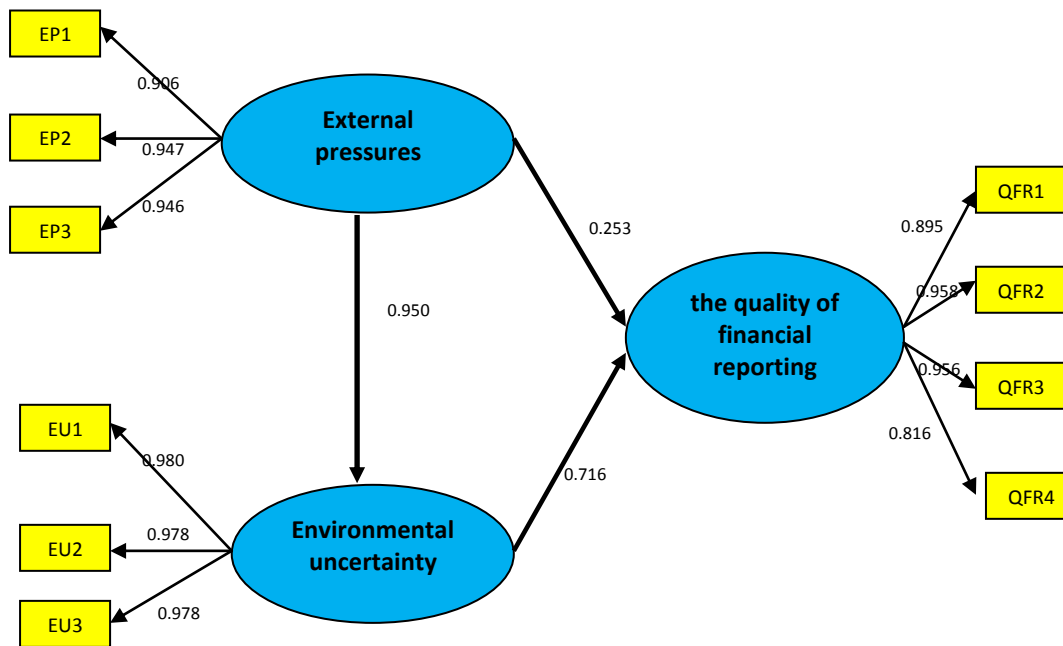
loading factor of 0.60.

Fig. 3. Outer Loadings value (Measurement Model)

Table 7. Outer Loadings (Measurement Model)

Variables	Indicators	AVE
External pressure	EP1	0.906
	EP 2	0.947
	EP 3	0.946
Environmental uncertainty	EU1	0.980
	EU 2	0.978
	EU 3	0.978
Quality of financial reporting	QFR1	0.895
	QFR2	0.958
	QFR3	0.956
	QFR4	0.816

The processing result using Smart-PLS is presented in table 7. The outer value of the model or correlation between the variables with the variable has fulfilled the convergent validity because the indicator has a value of loading factor above 0.60, then it is feasible for the next analysis.

Discriminant Validity

Discriminants validity ensures that each concept of each latent variable differs from other variables. Models have good discriminants validity if every loading value of each indicator of a latent variable has the greatest loading value with another loading value against the other latent variables. The

test results of discriminants validity obtained as follows.

Evaluating Variance Extracted (AVE) Reliability and Average

Validity and reliability criteria can also be seen from the reliability value of a construction and the Average Variance Extracted (AVE) value of each construction. Constructs are stated to have a high reliability if the value is 0.70 and AVE is above 0.50. In table 7, presented Composite Reliability and AVE values for the entire variable.

Table 8. Composite Reliability and Average Variance Extracted

Indicators	AVE
External pressure	0.871
Environmental uncertainty	0.958
Quality of financial reporting	0.702

According to table 8, it was concluded that all constructs meet the reliability criteria, with composite reliability values above 0.70 and AVE above 0.50 and recommended criteria.
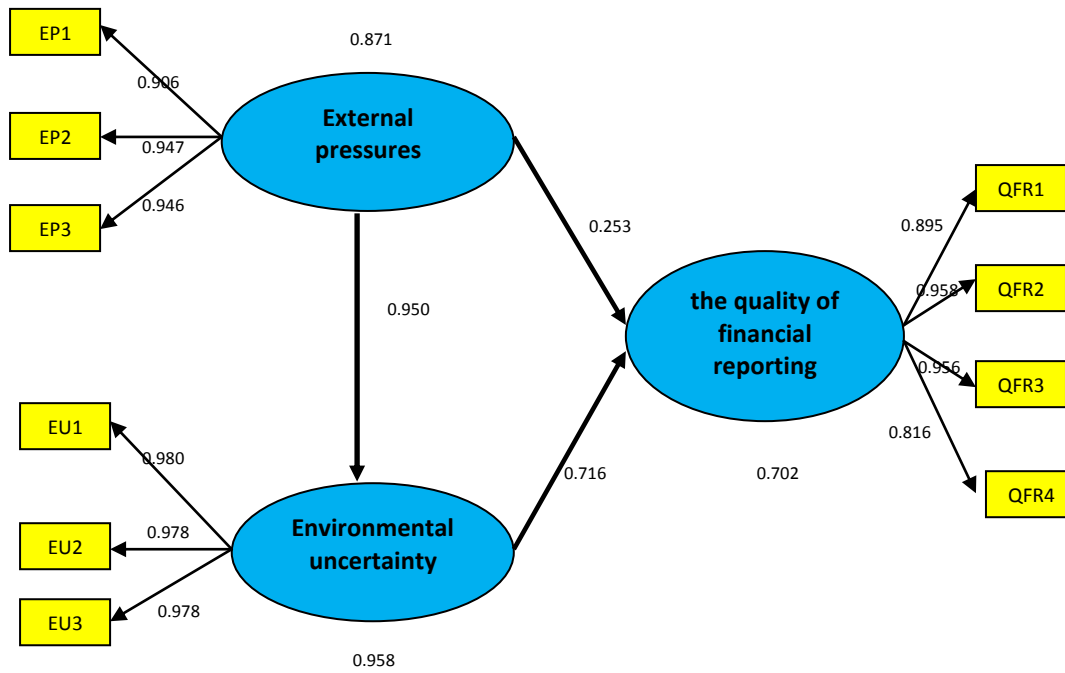
Fig. 4. Values of Composite Reliability and Average Variance Extracted

Testing inner models or structural models

Testing inner models or structural models to assess the relationship between the construct, significance value, and R-square of the research model. The structural model is evaluated using R-square for the t-test dependent construct, the significance of the structural path parameter coefficient.
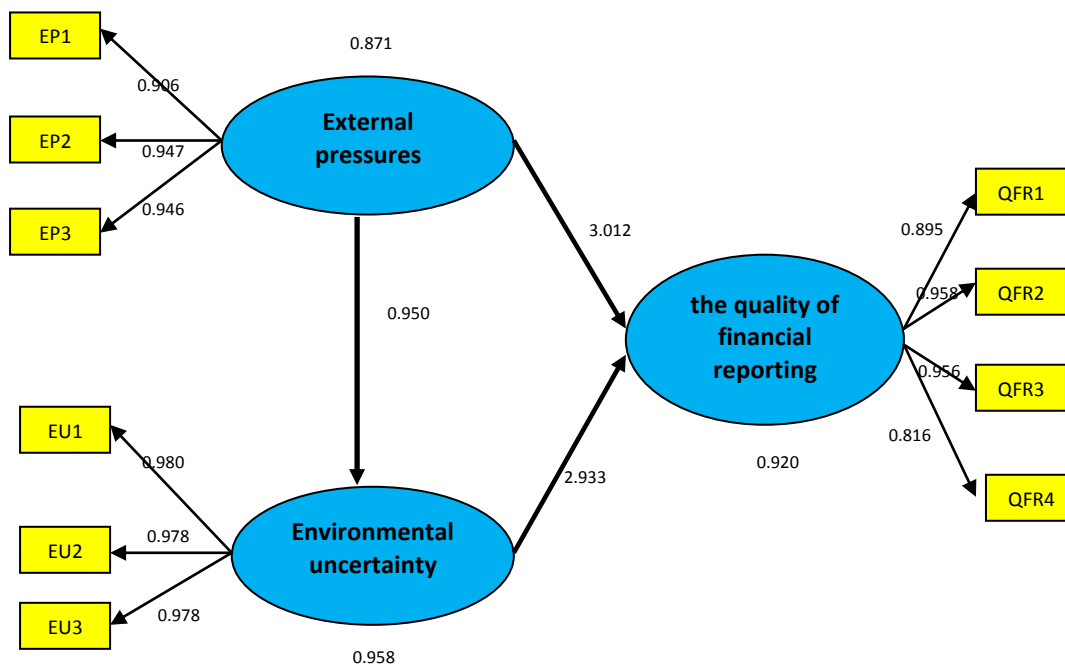

Fig. 5. Structural models

The figure above shows the value of R-square earned at 0.920 or 92%. Results show that 92% of the financial reporting quality variables are affected by the external pressure and environmental uncertainty variables.

Hypothesis Testing

The significance of the estimated parameters provides very useful information regarding the relationship between the research variables. The basis used in testing the hypothesis is the value contained in the output result for inner weight. The table provides the estimation output for structural model testing. In PLS testing statistically any relationship that is hypothesized done by using simulation. In this case, the bootstrap method is done against the sample. Testing with Bootstrap is also meant to minimize the normality of research data. The results of testing with bootstrapping of the PLS analysis are as follows. The results of the hypothesis testing showed that the relationship of external pressure variables with the quality of financial reporting showed the value of the t-value pathway was 3.017. The value is larger than the t-table (1.971). This result means that external pressures have a positive and significant relationship to the financial reporting quality which means following hypotheses whereby external pressure pushes the anticipation of quality of financial reporting. Therefore, the first hypothesis was accepted. The results of the hypothesis testing indicated that the variable relationship of environmental uncertainty to the financial reporting quality shows the value of the T-value pathway of 2.933. The value is larger than the t-table (1.971). This result means that environmental uncertainty has a positive and significant relationship to the quality of financial reporting which means following hypotheses whereby environmental uncertainty encourages the quality of financial reporting. This means that the second hypothesis is acceptable.

DISCUSSION

The effect of external pressure on the quality of financial reporting.

The results of the analysis indicate that the external pressure variable regression coefficient value is 0.000, meaning that external pressure impacts the quality of the financial reporting assuming other variables are considered constant. The results of the above studies are used as the basis for receiving hypotheses. From these findings, the task executor in North Sumatera province is expected to be aware of external pressures to support quality financial reporting.

Specifically, the research findings concluded that external pressures improved the quality of financial reporting. External pressure in the form of legislation or regulation is a driver for the improvement of the quality of financial reporting in the Regional Device Unit (SKPD) Rokan Hilir District. The results of this study are consistent with the findings of Ridha and Basuki (2012) stating that external pressures affect the implementation of quality financial reporting. The growing countries due to the impact of the Covid-19 pandemic around the world resulted in the world's economic situation getting worse. Some institutions even predict the world economy, such as the International Monetary Fund (IMF), which projects the global economy to grow minus at 3%. It shows the external pressure on the region's financial reporting quality later. Local governments must immediately prevent the impact of the COVID-19 pandemic, given that the outbreak was only beginning to expand in Indonesia in the second week of March 2020.

The effect of environmental uncertainty on the quality of financial reporting

The results of the analysis showed that the value of the regression coefficient of environmental uncertainty is-0.913, meaning that each increase in environmental uncertainty by 1%, the quality of financial reporting will decrease by 91.3%, assuming other variables are considered constant. The results of the above studies are used as the basis for receiving hypotheses. From this finding, the task executor in the SKPD of North Sumatera province is expected to anticipate the existence of environmental uncertainty to support the quality of financial reporting.

Specifically, the research findings concluded that the environmental uncertainty. In this case, the SKPD condition faced uncertainty due to influences from outside the SKPD, such as the frequent regulatory changes, the inaccuracy of the regulations with others, the rapid transfer of the SKPD staff. The SKPD is required to conform to existing conditions in practice or operations. The practice of research in particular on the implementation of quality financial reporting.

In other words, environmental uncertainty improves the quality of financial reporting. It is because the organization usually predicts and adjusts first to the circumstances of the surrounding environment. The ability to predict future conditions of low external pressure also occurs in individuals participating in financial reporting to make it easier to generate information from subordinates. Therefore, it should benefit the organization in financial reporting during the establishment of good cooperation between the leadership and the members. Research results are consistent with the work of Ridha and Basuki (2012) who have found external pressures that do not affect the quality of financial reporting.

Environmental uncertainty due to the case of the COVID-19 pandemic. Realization of fund distribution to the village until March 2020 amounted to Rp7,20 trillion. Specifically, the performance of TKDD until March 2020 was also influenced by other factors, such as the impact of the influence of the Covid-19 pandemic in the capital city and various regions in Indonesia, therefore has influenced the implementation of TKDD distribution in the region, because the central and local governments are still focused on handling the impact of the Covid-19. Circumstances that certainly have an impact on the quality of financial reporting.

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