

The model of financial report quality (an empirical study of financial report statement in West Java Province)

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ABSTRACT: The purpose of this research is to know and analyze the influence of effectivity of internal control of the commitment of the organization as the application of an accounting system and accountability on the quality of government financial report in West Java. Methods used in this research was descriptive method and explanatory survey. The unit of analysis in this research was the government officials in West Java Province with a sample size of 370 people. The analysis method used was descriptive analysis and analysis of structural equation model. The research found that to improve the quality of a financial statement that dominant financial report formed by dimensions can be compared to the reports on the previous period financial report financial or other entities reporting in general (Y7). By implementing effective internal control, organization commitment, and the application of an accounting system, it can promote accountability for government financial report in West Java Province.

1 INTRODUCTION

Good governance is the issue raised in the management of public administration today. In the second semester of 2013, the Audit Board of the Republic of Indonesia (BPK) has examined some financial reports in which the district government/city in West Java still have to revise over the assessment of their financial report in 2008 until 2013. Both district and cities in West Java financial reports generally were judged to be reasonable with exceptions (WDP) at 52% of 33 entities.

Many factors that could cause financial reports produced to be less or not qualified at a local government such as low accountability financial report. This indicated that there are still many government financial statements that are still lack of the data, commitment, and the changes application accounting system of the central and regional governments.

Based on the background and the identification of the problems above, research problems can be formulated as follows:

- 1) Is there influence of the effectiveness of internal control over the accountability government financial statements in West Java?
- 2) Is there commitment of organization over the accountability of government financial statements in West Java?
- 3) Is there application of an accounting system over the accountability of government financial statements in West Java?

- 4) Is there influence of the effectiveness of internal control, commitment of organization, and application accounting system together over the accountability of government financial statements in West Java?
- 5) Is there influence of the effectiveness of internal control on the quality of government financial statements in West Java?
- 6) Is there commitment of organization on the quality of government financial statements in West Java?
- 7) Is there application of accounting system on the quality of government financial statements in West Java?
- 8) Is there accountability on the quality of financial report on the government in West Java?
- 9) Is there influence of the effectiveness of internal control, commitment of organization, application of accounting system, and accountability together on the quality of government financial statements in West Java?

2 LITERATURE REVIEW

According to Mulyadi (2008), the internal control was a process integral to the action of and activities undertaken by the leader and all of the employees to give confidence over the achievement of the aims of the organization through activities effectively and efficiently. Steers (1985) stated that commitment of an organization was an identification (a sense of

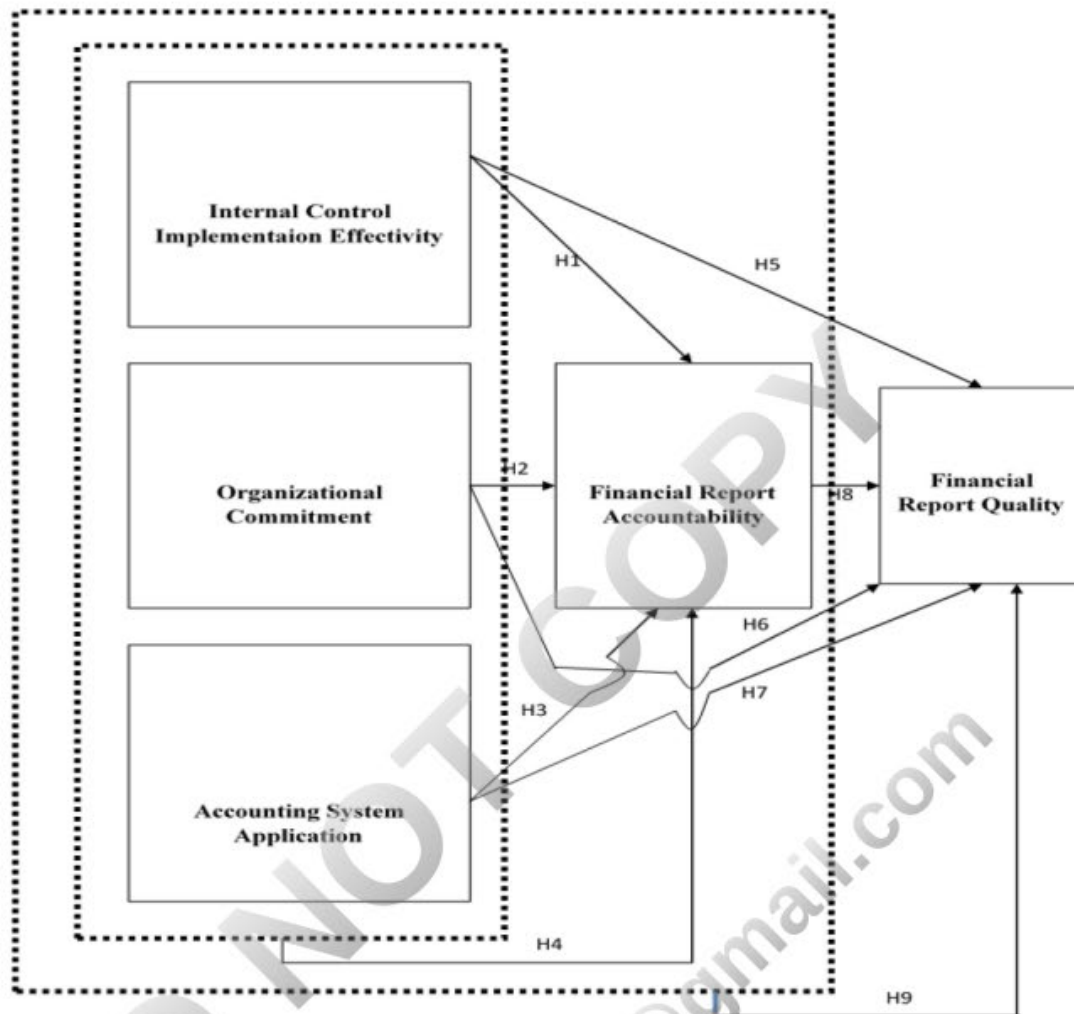


Figure 1. Conceptual framework.

confidence in the values of organization), engagements (a willingness to do their best for the sake of the interests of the organization), and loyalty (desire to become a member of an organization).

The relationship of research variables can be seen in Figure 1.

3 METHODS

This research was descriptive and verifiable. The research method used was a descriptive survey method and the method was an explanatory survey. The type of investigation in this research was the causality. The unit of analysis in this study is the individual, that is, the employees of the Regional Financial Department of West Java Province. Time horizon in this research is cross-sectional, namely, information from most of the population (a sample of respondents) was

collected directly from the location of the empirical basis, with the purpose to find out the opinions of most of the population toward the object being studied.

The population in this research was SKPD officials from 33 districts in West Java Province, in the amount of 900 officials.

4 RESULTS AND DISCUSSION

The full model of equation structural equation modeling on the LISREL 8.70 software obtained two diagram models, the standardized model and t-values model; each model is shown in Figures 2 and 3.

Based on Figures 2 and 3, these calculations raised testing of γ and β parameters (coefficient factor) structural on the exogenous and endogenous models. The testing is aimed to know the influence of one variable

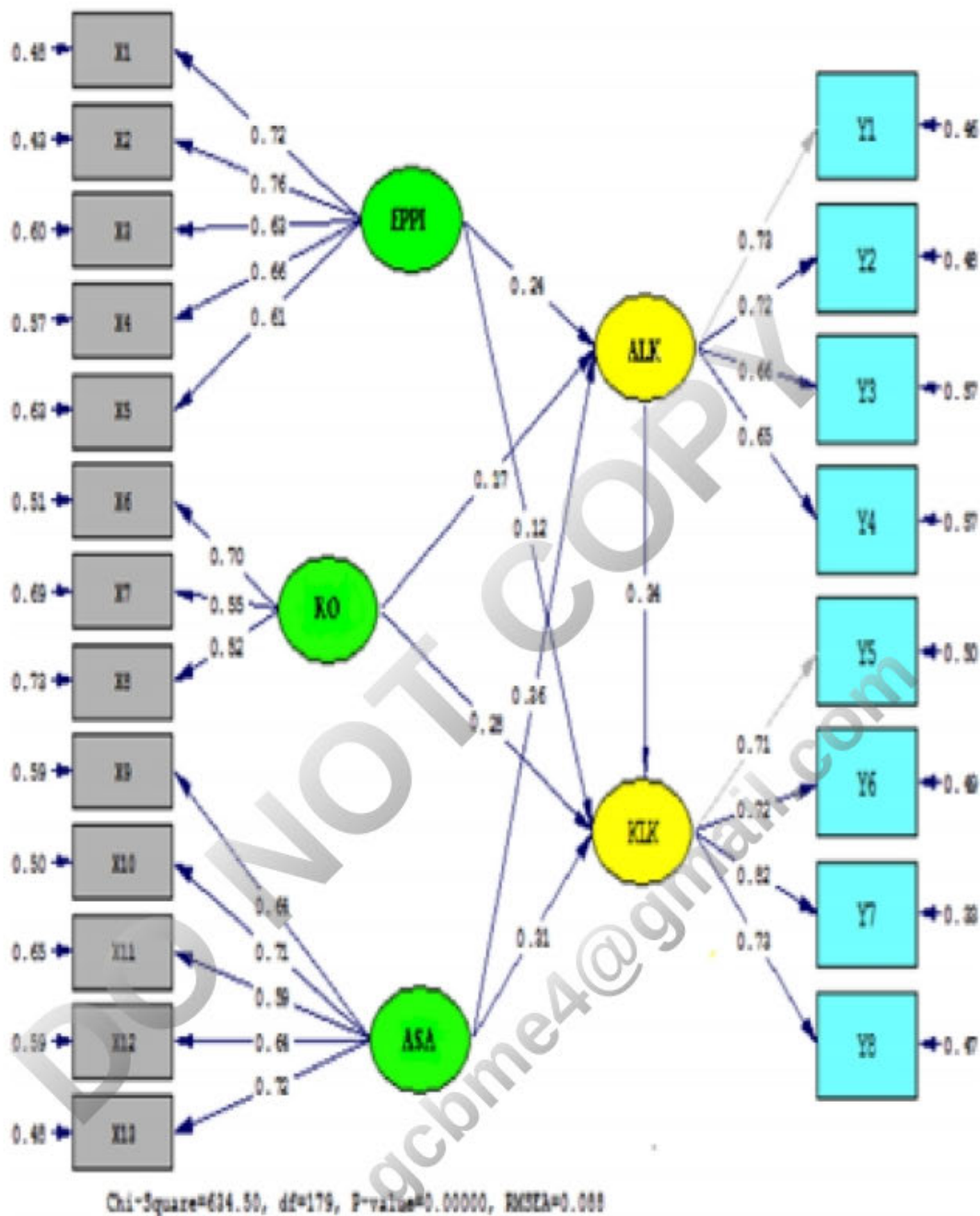


Figure 2. Standardized model second order.

Keterangan:

EPPi = Internal Control Implementation Effectivity

KO = Organizational Commitment

ASA = Accounting System Application

ALK = Financial Report Accountability

KLK = Financial Report Quality

latent on other variables latent. Testing parameters γ and β are the regression coefficient standardized test (standardized regression weight) to exogen variable and endogenous, as can be seen in Table 1.

Based on the results obtained, the conclusions of all hypothesis, hypothesis one (H1) through hypothesis nine (H9), were accepted. The results of testing each hypothesis can be seen in Table 2.

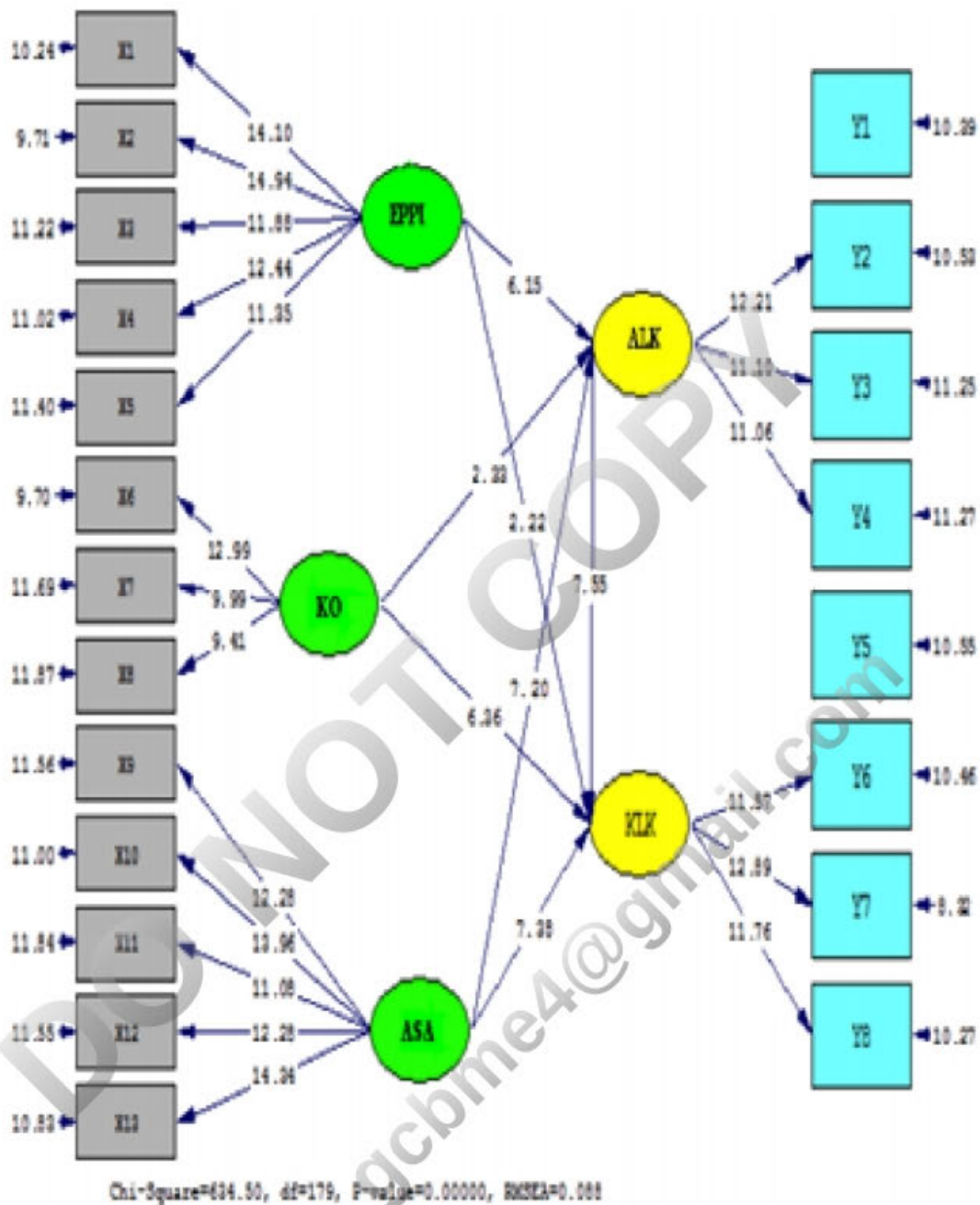


Figure 3. t-value model.

4.1 Direct and indirect effect

The accountability of financial statements (ALK) mediates the effectiveness of internal control (EPPi) on the quality of financial statements (KLK) as much as $0.24 \times 0.34 = 0.0816$ or 8.16%, while the direct effect of the effectiveness of internal control (EPPi) on the quality of financial statements (KLK) is as much as 0.122 or 0.0144 or 1.44%, so that indirect effect through ALK becomes larger, so that ALK can

be considered as variable mediating for the influence of EPPi to KLK.

Similarly, the accountability financial statements (ALK) mediate the influence of the application of accounting system (ASA) on the quality of financial statements (KLK) as much as $0.36 \times 0.34 = 0.1224$ or 12.24%, while the direct effect of the application accounting system on the quality of financial statements (KLK) as much as 0.312 or 0.0961 or 9.61%,

Table 1. Structural model statistical test.

Structure Model				
Endogent Variables	Exogent/Endogent Variables	Coefficient Factor (Standardized)/ R ²	t _{hitung} /F _{hitung}	Result
ALK	EPPI	0.24	6.15	Significant (Parcial)
	KO	0.17	2.33	Significant (Parcial)
	ASA	0.36	7.20	Significant (Parcial)
KLK	EPPI, KO, ASA	0.45	99.82	Significant (Simultaneous)
	EPPI	0.12	2.22	Significant (Parcial)
	KO	0.28	6.36	Significant (Parcial)
	ASA	0.31	7.38	Significant (Parcial)
	ALK	0.34	7.55	Significant (Parcial)
	EPPI, KA, ASA, ALK	0.75	273.75	Significant (Simultaneous)

Table 2. Hypothetical test result.

Hyp	Description	Result
H1	Is the effectiveness of internal control over the accountability financial report on the government in West Java.	H ₀ rejected; H _a accepted
H2	Is the commitment of organization over the accountability financial report on the government in West Java.	H ₀ rejected; H _a accepted
H3	Is the application accounting system over the accountability financial report on the government in West Java.	H ₀ rejected; H _a accepted
H4	Is the internal the effectiveness of control, commitment of organization and application accounting system together over the accountability financial report on the government in West Java.	H ₀ rejected; H _a accepted
H5	Is the effectiveness of internal control on the quality of financial report on the government in West Java.	H ₀ rejected; H _a accepted
H6	Is the commitment of organization on the quality of financial report on the government in West Java.	H ₀ rejected; H _a accepted
H7	Is the application accounting system on the quality of financial report on the government in West Java.	H ₀ rejected; H _a accepted
H8	Is the accountability financial report on the quality of financial report on the government in West Java.	H ₀ rejected; H _a accepted
H9	Is the internal the effectiveness of control, commitment of organization, application accounting system, and accountability financial report together on the quality of financial report on the government in West Java.	H ₀ rejected; H _a accepted

so that indirect effect through ALK becomes larger. Thus, ALK is considered a mediating variable for the influence of hope in KLK.

5 CONCLUSION

- 1) There is an effectiveness of internal control over the accountability financial report on the government in West Java.
- 2) There is commitment of organization over the accountability financial report on the government in West Java.
- 3) There is an application of accounting system over the accountability financial report on the government in West Java.
- 4) There is an effectiveness of control, commitment of organization, and application accounting system together over the accountability financial report on the government in West Java.

- 5) There is effectiveness of internal control on the quality of financial report on the government in West Java.
- 6) There is commitment of organization on the quality of financial report on the government in West Java.
- 7) There is an application of accounting system on the quality of financial report on the government in West Java.
- 8) There is accountability of financial report on the quality of financial report on the government in West Java.
- 9) There is effectiveness of internal control, commitment of organization, application accounting system, and accountability financial report together on the quality of financial report on the government in West Java.

REFERENCE

Mulyadi. 2008. Sistem akuntansi. Jakarta: Salemba Empat.