

ANALYSIS OF FINANCIAL STATEMENTS QUALITY REVIEWED FROM HUMAN RESOURCES COMPETENCE , THE SUPPORT OF TOP MANAGEMENT AND THE USE OF INFORMATION TECHNOLOGIES AT BADAN PENGELOLA PAJAK DAN RETRIBUSI DAERAH KOTA MEDAN

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Abstract

The quality of financial reports in government is strongly influenced by the competence of government officials, Top management support and the use of information technology. Government officers are required to be able to make a positive contribution to all components of government, both the community, the private sector and other components, including the government agency itself. In the Minister of Finance Regulation 169/PMK.05/2018 concerning the Government Investment Accounting and Financial Reporting System and PP No. 71 of 2010 concerning on Government Accounting Standards, it states that the preparation of government financial reports has several requirements that must be acquired so that it could produce the good quality financial statements. The purpose of this study is to discover how the quality of financial reports in terms of human resource competence, top management support and the use of information technology at Badan Pengelola Pajak dan Retribusi Daerah Kota Medan using qualitative data analysis with in-depth interviews with key informants compiled using a google form questionnaire as a guide and analytical measuring tools in this study. The results showed that the three factors, namely top management support was found optimal, however, the competence of human resources, and the use of information technology had not been optimal, particularly in the quality of financial reports at Badan Pengelola Pajak dan Retribusi Daerah Kota Medan. (BPPRD Kota Medan).

Keywords: Quality of Financial Reports Human Resource Competence, Top Management Support, Information Technology

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Introduction

The governance of the regional financial reporting administration in each local government organization (DPO) in Indonesia is starting to show progress. Previously, the financial information system was still carried out manually or traditionally, currently using an application that is an integrated information system as a whole, that is, in relation to information data on the use and accountability of regional finances. To achieve this, the Medan city government continues to undertake various reform efforts in financial management, including the preparation of laws and regulations, institutional arrangements, modernization of systems and procedures, and increased professionalization of human resources in the financial sector

The Medan City Government has been striving for transparency and accountability in the management of regional finances by adhering to the principle of timeliness and being prepared in accordance with generally accepted government accounting standards in the form of statements. financial.(BPPRD Medan, 2021). In the Regulation of the Ministry of Finance 169/PMK.05/2018 regarding the Financial Information and Accounting System of Government Investments and the Government Regulation No. 71 of 2010 that in the preparation of their financial statements, local governments have several requirements they must meet in order for the quality of their financial reports to be classified as good. Quality financial reports show that the government is accountable to the authority given in carrying out its responsibilities to manage public entities.

The Regional Management Information System application developed by the Financial and Development Supervision Agency (BPKP) and known as SIMDA Application is one of the information system technology products used by local governments in Indonesia to carry out their regional financial management. The development of the SIMDA application is implemented together with the implementation of the government internal control system (SPIP), to produce a complete and integrated Regional Government Financial Report (LKPD), and is useful for fast, accurate and reliable regional financial reporting. accurate. management practices, as of June 30, 2020, the SIMDA application program has been implemented in 444 local governments out of 542 local governments or 81.91% (www.BPKP.go.id). A SIMDA product is SIMDA Finance, which is used by local governments to process information in the form of financial data in the regions. SIMDA Finance provides an overview of budget planning, managing cash receipts and expenses, as well as reporting in the form of accounting. For the implementation of SIMDA Finance, 449 local governments have been assigned in Indonesia.

Based on Regional Regulation Number 1 of 2017, that the Regional Tax and Fee Administration Agency of the City of Medan is a support element of government affairs in the field of regional finance related to the management of regional taxes and regional levies directed by the Head of the Agency that Reports and responds to the Mayor through the Regional Secretary who has the task of assisting the Mayor in the

performance of support functions for government affairs in the field of regional finances related with the management of regional taxes and regional fees. (Renstra BPPRD City of Medan, 2021).

The quality of the financial reports is described by the opinion of the Supreme Audit Institution (BPK), an indicator that the financial reports of local governments are of high quality, namely the Unqualified Opinion given by the BPK to the financial statements of local governments. Good quality financial reports are seen from the 2020 and 2021 Financial Reports with Unqualified Opinion because the presentation of the financial statement information presented is free from material misstatement, while the 2017 - 2019 Financial Statements BPK gave a unqualified opinion due to certain information that is an exception but does not affect the general financial statements.

The financial statements prepared by the Medan City Government are the result of consolidating the financial statements of the existing OPD into the Medan City Government, one of which is the Regional Tax and Remuneration Administration Agency of the city of Medan. In the preparation of financial reports, it is supported by the systems, management, competence and PP No. 71 of 2010 on government accounting standards that will make these financial reports the responsibility of the Regional Organizations of the Apparatus (OPD) in financial management.

Quality financial reports show that the Head of OPD is accountable in accordance with the authority delegated to him in carrying out the responsibility of managing the organization. The head of the OPD is entrusted with the management of public resources and those that concern him in order to be able to respond to issues related to his accountability. The Head of the OPD carries out financial accountability related to financial integrity, disclosure and compliance with laws and regulations that are reflected in the Accountability Report (LPJ) for which the Mayor will be responsible. The government is responsible for the preparation and fair presentation of financial statements in accordance with Government Accounting Standards and adequate internal control to prepare financial statements free from material misstatement, whether caused by fraud or error (IHPS I BPK, 2020) .

Financial statements are a product produced by the field or discipline of accounting. Therefore, Human Resources (HR) competencies, management support i.e. related officers and technology are needed to support the production of a quality Financial Report. Likewise, in government entities, to produce quality Regional Financial Reports, human resources are needed who understand and are competent in government accounting, regional finance and even organizational governance. Competent Human Resources (HR) competencies are employees who are proficient in terms of knowledge in the field of government accounting because regulations related to government accounting will continue to be updated, HR involved in the process of preparing financial statements must be able to develop their skills to support their knowledge. This is in line with research that establishes that human resource competence has a significant positive effect on the quality of information in financial statements (Sianturi, 2016), but is different from research that establishes that human

resources has a significant positive effect on quality. of the information in the financial statements (Melia, 2015). Good human resources are those who have knowledge of how to prepare good financial reports and are clearly aware of the standards applied in the preparation of the financial statements themselves. This is in line with research by Siahaya, Asnawi, and Layuk (2011) which establishes that there is a significant influence between HR competencies on the quality of local government financial reporting. The same is not true for Syarifudin (2014), who states that HR competition has a negligible positive effect on the quality of local government financial reporting, and research by Sukmaningrum (2012) who states that HR competition HR does not have a significant effect on the quality of financial reporting.

Management support is also involved in the financial reporting process, one of which is the Head of OPD because their direction and support can support HR in the financial reporting process and the Head of OPD can give account of the results of the financial reports to the mayor. Senior management is committed to improving the quality of financial reporting. This is explained by the fact that all elements of senior management (village chief, village deliberation, and village and community empowerment service) want quality financial reporting. (Indahwati, et al, 2021). Leaders are functions that act as top management that are authorized to make decisions on established policies (Setyawan & Fauzan, 2018). Of course, as senior management, leadership plays an important role in complying with the compilation of quality financial reports in accordance with the relevant government regulations. The research results of (Komala, 2012), (Carolina, 2014) and (Rahayu, 2012) found that the quality financial reporting process is influenced by support from top management. In addition, the support of the top management is very important in the implementation of a system, especially in innovation situations due to the power of the managers in terms of the necessary resources, objectives and strategic initiatives that are planned if the manager fully supports the implementation. of the new system (Fatimah: 2013). However, the opposite result was found by (Al-Hiyari et al., 2013) who stated that the quality of an entity's financial statements is not influenced by senior management.

Along with the development of technology, especially the accounting system, which currently relies on accounting system technology that facilitates the preparation of financial statements. The use of information technology that has not been maximized will also affect the information quality of the local government financial report, so it may be one of the factors. In the current era, technology is very sophisticated, whether it is a computer or a laptop, it can help human work at work. Information technology consists of parts used to process data, including processing, retrieving, compiling, storing, and manipulating data in various ways to produce quality information (Saragih, 2016). The preparation of quality financial reports is essential for local governments. The quality of local government financial reporting reflects the orderly management of local government finances, including orderly administration and adherence to principles. The quality of information in government financial reports is influenced by

compliance with accounting standards and is supported by a reliable accounting system (Triyani & Tubarad, 2018). Then the fact that there were several irregularities that were found by BPK in the audit of the government's financial statements.

Based on the phenomena, the literature and the results of the research that have been carried out before, this research focuses on the research object that consists of the competence of human resources, the support of senior management and the use of the information technology as variables that have an important role in Quality of Financial Reports. The purpose of this study was to determine the quality of financial reporting in terms of human resource competency, top management support, and utilization of information technology in BPPRD Medan City.

Financial Report Quality

Based on Government Regulation No. 71 of 2010 concerning Government Accounting Standards (SAP) Attachment I Paragraph 26 states that government financial reporting should provide information for users in assessing accountability and making decisions, whether economic, social, or political.

The definition of information quality in general also refers to the definition of accounting information quality. It can be synthesized that the quality of accounting information is a category attached to accounting information so that the information can provide meaning and benefit to its users. (Frisky, n.d.). Thus the qualitative characteristics of financial statements can be described in accordance with PP No. 71 of 2010 (Relevant, Reliable, Comparability and Understandability)

Human Resource Competence

Regulation of the Minister of Internal Affairs of the Republic of Indonesia Number 2 of 2013 Article 1 states that the skills and characteristics possessed by a public official are the knowledge, skills and behavioral attitudes necessary for the performance of their duties, so that the Public Servant can perform his duties with professionalism, effectiveness and efficiency. The Decree of the Headquarters of the State Civil Service Agency Number 46A of 2003 determined that competence is the capacity and characteristics that a public servant possesses in the form of knowledge, experience and behavioral attitudes required for the performance of their functions.

In good regional financial management, OPDs should have competent human resources, supported by an accounting background, regularly attend education and training, and have experience in the financial sector. This is necessary to implement the existing accounting system. Competent human resources (HR) can understand accounting logic well. Human resources (HR) is one of the important elements in the organization. HR is the main pillar of an organization compared to other elements, such as technology or money, because humans themselves can control these elements (Anggriawan & Yudianto, 2018). Competition is a key factor in determining whether someone produces excellent performance (Hidayah & Zarkasyi, 2017). The competency analysis is mainly dedicated to professional development and the level of competency is

necessary to determine the effectiveness of the expected level of performance (Wardhani, 2017). In Abdussamad Yuriko's journal in (Sudarman, 2020) on Apparatus Human Resource Development through Competence, it is said that good regional financial management is based on Regional Work Units (SKPD) that have competent human resources, supported by accounting educational background , often attend education and training, and have a background in finance.

To become a manager, both operational managers (lower managers and middle managers) and top managers (senior managers) require qualified competencies, which is why many manufacturing companies in Medan-Indonesia city use psychological tests and academic potential to see. competence of who will be appointed as manager (Napitupulu, 2020).

As we know, competence is a level of performance that shows the application of knowledge, skills, and effective management (Funk, 2005). Where the main competence is the knowledge and ability to carry out certain types of activities that involve a combination of technical knowledge and application skills (Yukl, 2010:419). Combining user knowledge and skills will result in better solutions. Therefore, it is not profitable for the organization if the employees do not contribute their knowledge, because the knowledge, personal skills and individual intelligence of the personnel involved will be very important. When there is a change in the company's information system, users often find it difficult to leave the old processes and habits to the new process, then in order to overcome this and make the process effective, the company will conduct training. The training and development of human resources is one of the means in the company to improve the competence of users (Napitupulu, 2020).

In companies, employees and managers are the resources and end users of information systems (McLeod Jr, 1996), according to (Bentley & Whitten, 2007) users of the system, including external users (customers, suppliers, partners and employees) and internal users (employees and service, technicians and professionals, and staff, supervisors, middle managers and executive directors) desired actions (Stewart & Brown, 2011, p 22), an organization (company) needs to determine the level of competence required for various job tasks and translate those needs into levels that require knowledge and skills (Moeller, 2011).

Competency characteristics consist of five elements, namely motives, traits, self-concept, knowledge and skills, but the competency elements that are easiest to develop and measure are just knowledge and skills, while other elements are more hidden within the individual (Spencer). & Spencer, 1993, p.11). In the end, this study uses knowledge and skills as a measure of manager competence. Knowledge is measured by experience (Zikmund et al., 2010, p. 22), insight (Jujun Suriasumanteri, 2010, p. 104), and formal education (McLeod & Schell, 2007, p. 81), while skills are measured by conceptual skills, interpersonal skills, and technical skills (Pasolong, 2014).

In this case, the HR competency produces financial reports. To maximize performance for the quality of financial reporting, HR must have a good understanding

of their functions, for example, knowledge of the accounting standards that are the basis for preparing financial statements. In the research of (Paramitha & Dharmadiaksa, 2019), it is explained that the competence of employees positively influences the quality of financial reports. The findings of Zuliarti (2012) that explain that human resources influence the value of information in financial statements. Then, the findings of (Aswandi, 2018) explain that the competence of human resources negatively influences the quality of financial reports. The relationship between HR competency and financial reporting quality refers to research results found by (Paramitha & Dharmadiaksa, 2019), (Agung & Tut, 2018). Karuniawan et al., (2017), Hanifa et al. al., (2016), Pramudiarta & Juliarto (2015).), and Wiranata et al., (2015) who prove that there is a positive influence between the competence of human resources and the quality of financial reports. Then, in the research by Suliantini & Kusmuriyanto (2017), they found that the competence of human resources positively influences the quality of financial reports. In accordance with this, the research carried out by Ardiyanto et al., (2016) explains that human resources positively influence the reliability of financial statements. This is in line with research that states that the competence of human resources on the quality of financial reports (Sianturi, 2016), (Putriasri & Abdullah, 2017), (Khalid, 2016), (Tina, 2018), (Aziz, 2015), (Elvana, 2015). Another example about the importance of HR competency in terms of achieving MAIS quality requires supporting factors such as management competency and empirically the supporting factor in (Napitupulu, 2020) research having a significant effect is management competence. Competence in its implementation is the ability of an employee to understand the instructions of her superiors. Another example related to competence is that the implementer of an accounting information system in a company is a person who has formal education in the field of accounting, so he is said to be competent in the field of accounting information systems. . The dimensions used to measure competence according to (Lustig et al., 2006) are knowledge (knowledge), motivation and skills (expertise). Tarafdard and Gordon (2007) stated that the competence of information systems consists of:

- 1) Knowledge Management – is a facility owned by an organization in building and exploiting knowledge assets to achieve its goals
- 2) Collaboration – cooperation in achieving the same goal
- 3) Prospect Management – activities related to planning, implementation, monitoring and termination of information system projects
- 4) Ambidexterity – the ability to achieve and balance a good strategic and operational vision
- 5) IT/ Innovation governance – structures and processes to coordinate the different elements of work
- 6) Business-IS Linkage – able to work with management, customers, suppliers in order to understand the company's operations and strategy
- 7) Process modeling – understand and be able to describe business processes

Knowledge in detail is defined by Benardin (2010: 92) as organized information,

usually in factual form or procedures applied in achieving performance ("an organized body of information, usually of a factual or procedural nature applied directly to the performance of a function." "). Examples are: computer programmers may need knowledge of a specific computer language such as Java. Lecturers in the class should have knowledge about research and practice in the field of accounting. Furthermore, Zikmund et al (2010:21) suggest that knowledge is a combination of previous experience, point of view, and data which then forms organizational memory ("a blend of previous experience, insight and data that forms organizational memory").

Furthermore, (Rahayu, 2012) suggests that knowledge is data and or information that has been organized and processed to gain understanding, experience, accumulated learning and expertise and is applied to existing business problems ("data and/or information that has been organized and processed to convey understanding, experience, accumulated learning, and expertise as they apply to a current business problem").

Skill is defined by Benardin (2010: 92) as a form of competence to create action or learning and also manipulate data, people or certain things ("a competence to perform a learned, psychomotor act, and may include a manual, verbal or mental manipulative of data, people or things"). For example, the police have the skills to drive, operate and maintain weapons, and so on.

In addition, users are defined as people who work with information systems to produce the desired results (Stair & Reynolds, 2012: 15). There are two groups of users of accounting information, namely groups of internal users and groups of external users. External user groups include shareholders, investors, creditors, government, customers, suppliers and competitors, while internal user groups include managers and non-managers such as company employees (Azhar Susanto, 2013:13).

According to O'Brien & Marakas (2008:31), end-users (also called users) are people who use an information system or take advantage of information generated by information systems ("people who use an information system or the information it produces"). Users (users) can be consumers, salespeople, engineers, administrative employees, accountants or managers. In this study, the term user refers to people who use accounting information systems.

From the opinions above, it can be stated that user competence is a characteristic possessed by information system users in carrying out their duties (performance achievement).

These characteristics can be in the form of knowledge and expertise possessed by the user. So, the dimensions that will be used to measure competence are:

- 1) Knowledge (R Gómez-Mejía et al., 2016) with indicators:
 - a. Ability to organize information in completing work (R Gómez-Mejía et al., 2016)
 - b. Experience (Zikmund et.al, 2010:21)
 - c. Knowledge of specific topics or formal educational background (Marshall et al., 1974)
- 2) Skills (R Gómez-Mejía et al., 2016), with indicators:

- a. Psychomotor and verbal actions in operational tasks (Nurmawan, 2010)
- b. Carrying out tasks well (Marshall et al., 1974).

The Support of Senior Management

(Muchtar et al., 2019) Top management support is management's understanding of the function of information systems and their involvement in activities related to information systems. This support can take the form of control, involvement and allocation of resources related to the implementation of information systems. Laudon and Laudon (2007: 586) in stating that management support and control are the mechanisms used to address a certain level of risk in each information system ("management support and control are mechanisms for dealing with the level of risk in each new system project". "). Furthermore, (Ragu-Nathan et al., 2004) defines top management support in information systems as the level of top management's understanding of the importance of the function of information systems and the extent of their involvement in activities related to information systems ("the degree to which top management understands the importance of information systems". of the information systems function and the extent to which it is involved in information system activities").

This support can also take the form of control, involvement and allocation of resources related to the implementation of information systems. Dimensions of top management support according to Pathirage, et. al. (2012) consists of determining performance achievement indicators, determining vision, making decisions, solving problems and preparing human resources (HR management) related to information systems. By looking at the dimensions used by Pathirage, et. al. (2012), (Komala, 2012), Vijayakumar (2009) and (Cahyadi et al., 2020). Based on the opinions above, it can be synthesized the dimensions that can be used to measure management support, namely:

- 1) The planning process is support for the formulation of goals and needs, as well as the selection of human resources
- 2) Organizing, namely support in the form of involvement in the selection of human resource technology and training and human resource development
- 3) Guidance, namely support in the form of involvement in the repair and problem solving process
- 4) Supervision, namely support in the form of control and performance appraisal

The Use of Information Technology

Technology is a machine to run information systems. Technology captures input, executes models, stores and accesses data, generates and delivers output, and controls the entire system. Computer-based information systems, technology consists of three components, namely computers, external data storage (auxiliary storage), telecommunications, and software

Information technology is a collection of systems that utilize computer facilities

and are used by an organization/institution (Turban & Volonino, 2011: 08). Furthermore, (Pearlson et al., 2016) states that information technology is all forms of technology used to produce, store, replace and utilize information. Meanwhile, (Fitrios, 2016) defines information technology as technology used in information processing. (Sa'adah et al., 2018) Suggest that with optimal use of information technology, there will be an increase in Government Regulation No. 56 of 2005 concerning Regional Financial Information Systems, local governments are obliged to develop and utilize advances in information technology to improve the ability to manage regional finances, and distribute financial information. area to the public.

This has also been regulated in PP No. 65 of 2010 Article 13 concerning Regional Financial Information Systems that, the presentation of budget information, budget execution, and regional financial reporting produced by the regional financial management information system is informed through the regional government's official website. The practice of financial administration by the regional government is the regional financial accounting system assisted by computer applications. The computer application that is commonly used is the financial SIMDA which is a product of the Financial and Development Supervisory Agency (BPKP). The SIMDA Finance application is designed in accordance with the regulation of the Minister of Home Affairs Number 21 of 2011 concerning regional financial management guidelines and applicable financial accounting standards. With the help of SIMDA finance, the financial administration process is easier and faster. This is in line with research which states that the use of information technology affects the quality of financial statements and also indicates that the better the use of information technology, the better the quality of local government financial reports. Based on previous research by Yosefrinaldi (2013), Agustina (2015), (Agustiawan & Rasmini, 2016) and Fitriana & Wayuddin (2017) (Agustina, 2015), (Irfan, 2010).

Information technology is a series of technological facilities owned by an organization in implementing accounting information systems. This technology is used to create, store, replace and use information in achieving organizational goals. The use of the term information technology will then refer to the use of technology attached to the facilities operated by the company. (Indahwati, 2017).

According to Thompson & Cats-Baril (2003: 143), the dimensions of the use of information technology are:

- 1) Functionality: i.e. what are the types of technology and how much capability is the technology used to carry out the function of carrying out the processing function.
- 2) Ease of use: how easy the technology is to use
- 3) Compatibility: how easy is this technology to work together with the supporting technology
- 4) Maintainability: how easy it is to keep the technology operating during the maintenance, repair and other processes so that it does not interfere with the implementation of the main tasks (AIS).

Research Method

Research methods are understood all the methods or techniques used to carry out an investigation, that is, they are the methods used by researchers to carry out their research operations (Kothari, 2004) Judging from the type of data, the research approach used in this study is a qualitative research that is descriptive in nature and is a case study as well as a quantitative approach. According to Strauss and Corbin (2007), qualitative research is a study whose findings are not obtained through statistical procedures or other forms of calculation, while according to Sutopo (2002), qualitative research case studies lead to detailed descriptions and deep of the condition portrait of what is happening what really happened in the field of study. Regarding what is meant by qualitative research, that is, research that aims to understand the phenomena of what the research subjects experience in a holistic way and through descriptions in the form of words and language, in a special natural context and using various scientific methods (Moleong, 2004). Some of the above views may conclude that qualitative research is research that requires researchers to directly find/select respondents to conduct interviews/interviews, record, describe, and then conclude, in other words, research that requires researchers to participate directly in obtaining information. about what is happening in the field comparing it to the recording and then summarizing it. Case research is an in-depth study of a particular social unit, the result of which is a complete and organized image of that unit (Sumadi, 2004: 80).

Research Informants

Qualitative research does not recognize the terms population and sample. The population or sample in a qualitative approach is more accurately called the data source in certain social situations (Rahayu, 2012). Spradley said that the social situation or social situation consists of three elements, namely: place (place), actors (actors) and activities (activity) that interact synergistically (Sugiyono, 2012).

Suryanto (2005) establishes that there are three types of informants in qualitative descriptive research, namely, key informants, that is, informants who know the basic concepts necessary in the research, main informants, that is, informants who are directly involved in the social interactions studied and additional informants, that is, informants who can provide information even if they do not directly participate in the social interactions studied.

Data Resources

The data sources used in this study are primary data. Primary data refers to information obtained first-hand by researchers related to variables of interest for the specific purpose of the study (Sekaran & Bougie, 2017). According to Lofland and Lofland in (Moleong, 2007), the main sources of data in qualitative research are words and actions, the rest are additional data such as documents and others. There are two types of data that can be used in a study, namely primary data and secondary data. In

this study, the researchers used primary data types as data sources. According to Umar (2003:56) primary data is data obtained directly in the field by researchers as research objects. In other words, primary data is data obtained directly.

Data Analysis

According to the research method, the data analysis technique used by the researcher in this study used qualitative data analysis. Qualitative data analysis is an analysis of the obtained data based on the ability of research reasoning in the connection of facts, information data. Thus, qualitative data analysis techniques are carried out by organizing the data, breaking it down into units, synthesizing, compiling it into patterns, choosing what is important and what will be studied, and compiling conclusions that can be communicated to others (Sugiyono, 2012). Huberman (1984) in Sugiyono (2012) suggests that qualitative data analysis consists of three activities, namely data reduction, data presentation and drawing conclusions. Descriptive statistics refers to the transformation of raw data into a form that will make it easier for readers to understand and interpret the meaning of the displayed data or numbers (Sarwono, 2006).

Result and Discussion

The Purpose and Objectives of the Preparation of the Financial Statements of the Medan City Regional Tax and Retribution Management Agency

The Regional Revenue Service (Dispenda) has evolved into the Regional Tax and Retribution Management Agency (BP2RD). This facial revolution has occurred since the issuance of Regional Regulation Number 6 of 2016 on December 20, 2016 and Governor Regulation Number 39 of 2016 on December 27, 2016, the Revenue Service has officially changed its name to the Regional Tax and Retribution Management Agency, hereinafter abbreviated as BPPRD. This name change is carried out in accordance with the provisions of Article 3 paragraph (1) of Government Regulation Number 18 of 2016 concerning Regional Apparatuses, so it is necessary to stipulate Regional Regulations concerning the Establishment and Composition of Regional Apparatuses of North Sumatra Province. BP2RD continues to carry out its functions and duties as in the past Dispenda, namely being the organizer of financial support functions in the sub-sector of Tax Management and Regional Retribution.

The duties of the BPPRD have its functions, such as coordinating, facilitating, monitoring, evaluating and controlling the implementation of Regional Head policies in the field of Regional Tax and Levy Management, organizing material/data processing for improvement and formulating policies according to standards in matters of Regional Tax and Levy Management, fostering and implementing tasks in the field of Management of Regional Taxes and Levies, as well as the implementation of other tasks given in accordance with their duties and functions.

Financial Statements are structured reports on financial position. The Financial Statements of the Medan City Tax and Levy Management Agency are mainly used to

compare the realization of revenues and expenditures with a predetermined budget, assess financial conditions, assess the effectiveness and efficiency of reporting entities, and help determine their compliance with laws and regulations. The purpose of preparing the Financial Statements of the Medan City Tax and Levy Management Agency is to present information about the financial position, budget realization, and financial performance of a reporting entity that is specifically not only useful for users in making and evaluating decisions regarding resource allocation, but also useful in decision making and demonstrate the reporting entity's accountability for trusted resources.

Legal Basis for Preparing Financial Statements for Medan City BPPRD Local government financial reports must be prepared based on applicable laws and regulations. These laws and regulations are used so that local government financial reports do not contain information that misleads users of financial statements. As a public sector organization that is obliged to compile financial reports, it also has various legal grounds to use.

Medan City BPPRD Financial Policy

In an effort to achieve development goals and targets, regional financial management policies are directed at managing regional revenues, expenditures, and financing in an efficient, effective, transparent, fair, accountable and performance-based manner. A performance-based approach means that the budgeting of an OPD must be accompanied by specific, measurable, achievable, reasonable, time-dimensional targets and performance indicators (inputs, outputs and results), and pay attention to the financial condition. area. Meanwhile, the application of the principles of transparency and accountability means that the establishment of an information system-based control, monitoring, evaluation and reporting mechanism that can be accessed by all stakeholders so that the management of funds is beneficial for.

Accounting Basis which underlies the preparation of OPD Financial Statements

The explanation of the basic assumptions in the local government's budgetary financial reporting that is accepted as truth without needing to be proven so that accounting policies can be applied, is also in line with what was informed by Mrs. Soya Soraya as the First Auditor of the Medan City Inspectorate regarding the Accounting Base, which consists of:

1) Assumption of Entity Independence

The assumption of entity independence, which means that the Medan City Government as a reporting entity and OPD within the Medan City Government as an accounting entity is considered a unit that is considered an independent unit and has an obligation to present Financial Statements so that there is no confusion between government units in the Financial Statements. One indication of the fulfillment of this assumption is the authority of each entity to prepare a budget and implement it with full responsibility. Each entity is responsible for the management of off-balance sheet assets and resources

for the interest of the jurisdiction of its main duties, including for the loss or damage to the said assets and resources, payables and receivables that occur as a result of the entity's decision-making, as well as the implementation of the programs and activities that have been determined.

2) Assumption of Entity Continuity

The Financial Statements of the Medan City Government and OPD are prepared with the assumption that the Medan City Government and OPD within the Medan City Government will continue to exist and do not intend to liquidate it. In terms of entity continuity, it means that the Medan City Government and OPD within the Medan City Government are formed to carry out government duties in the long term and are not intended to be dissolved.

3) Assumption of Measurement in Money Units (Monetary Measurement)

The Financial Statements of the Medan City Government and the OPD within the Medan City Government present each assumed activity that can be valued in units of money. This is necessary to enable analysis and measurement in accounting.

Mr. M Lutfi also added that the accounting basis used in the Financial Statements of the Medan City Tax and Levy Management Agency is the cash basis for revenue recognition - LRA and Expenditures in the Budget Realization Report and accrual basis for revenue recognition - LO and Expense in the Operational Report, as well as the accrual basis for revenue recognition - LO and Expense in the Operational Report. accruals for the recognition of Assets, Liabilities, and Equity in the Balance Sheet.

The cash basis for the Budget Realization Report means that Revenue is recognized when cash is received in the Regional General Treasury Account, received by the Revenue Treasurer, received by the Satker/OPD and used directly on the condition that the receiving entity is required to report it to the Regional General Treasurer (BUD) including income originating from from domestic/foreign direct grants and income from other entities outside the government entity based on the authority granted by BUD. Expenditures are recognized when cash is issued from the Regional General Treasury Account or when the expenditure from the Expenditure Treasurer is approved by the Regional General Treasurer. Like other local governments, the Medan City Government does not use the term profit, but uses the remaining budget calculations (more/less) for each fiscal year. The remainder of the calculation of the OPD budget depends on the difference between the realization of revenue receipts and expenditure expenditures.

The accrual basis for the Operational Report and Balance Sheet means that LO-Revenues, Expenses, Assets, Liabilities, and Equity are recognized and recorded at the time of the transaction, or when environmental events or conditions affect the Medan City Government's finances, not fixated on when cash is received or paid by the local treasury. The accounting principles used in the preparation of the Medan City Government Financial Statements and OPD within the Medan City Government:

The application of accounting policies is related to the provisions contained in the Government Accounting Standards

Local Government Financial Reports are prepared based on Government Accounting Standards. Implementation of Government Accounting Standards in Medan City Government has adopted all accounting policies suggested by the accrual-based Government Accounting Standards in accordance with the provisions of Permendagri Number 64 of 2013.

Analysis of the Qualitative Characteristics of Financial Statements

A local government financial report can be assessed as quality if the financial report has complied with applicable regulations. One of the regulations that must be adhered to is Government Regulation No. 71 of 2010 concerning Government Accounting Standards. As previously mentioned, the Medan City BPPRD also uses Government Regulation No. 71 of 2010 as a basis for preparing financial reports. Based on Government Regulation No. 71 of 2010 there are normative prerequisites needed by local governments so that financial reports can meet the desired quality. The four characteristics are (i) relevant, (ii) reliable, (iii) comparable, (iv) understandable.

HR Competency Analysis on the Quality of Financial Reports

Competence of Human Resources (HR) at the Regional Tax and Levy Management Agency of Medan City currently has 17 employees consisting of:

- a. Head of Sub Division of Finance as Financial Administration Officer, 2 Finance Staff as Financial Administrator
- b. Expenditure Treasurer
- c. Staff as Financial Administrator
- d. Receipt Treasurer
- e. 4 Staff as Financial Administrator

Ideally, the number of staff who have several different levels and educational backgrounds does not prevent the creation of competent human resource competencies, especially staff who are directly involved in the preparation of financial statements. The quality of financial reports will be good if human resources are implemented properly. 71 of 2010 concerning financial statements.

Thus the competence of human resources is demonstrated so that the implementation of organizational tasks and functions in order to produce financial reports that are relevant, reliable, comparable, and understandable.

Currently, the Medan City Regional Tax and Levy Management Agency has a structured work matrix to provide the main tasks and functions of each position in accordance with BKN Regulation No. 3 of 2013 concerning the Dictionary of General Functional Positions for Civil Servants. However, according to the regulation, there is

no rule that requires positions according to the level of education, as can be seen from the division of positions for staff, all of whom have financial administration positions.

Regarding the financial statements of the Medan City BPPRD in 2021 which were examined by the author, it was found that there were several things from the results of the interview, namely Education and Technical Training on Financial Report Preparation held by the Medan City Government in September 2021 that did not fully support the knowledge of HR in preparing financial reports with the transition of the latest mechanism in the preparation of financial statements. preparation of financial reports in which Medan City BPPRD HR are used to the old mechanism, but the results of the training do not provide maximum knowledge support to Medan City BPPRD HR because the presenters who provide the training are still in the learning process with the latest mechanism.

At the time of preparing the financial statements, what happened was that the understanding of Medan City BPPRD human resources was not optimal with the latest mechanism so that Medan City BPPRD financial reports could not be submitted on time.

Analysis of Senior Management Support on Report Quality Finance

Top Management Support that has been given optimally, Management support provided is good, seen from the management function provided, namely providing training to provide skills to staff to be more competent with the budget provided for the Education and Training expenditure post as well as the Implementation of ASN Duties and there are routine activities such as Internal Meetings or Coordination Meetings to discuss constraints, performance targets, and reports made so as to create good communication from top management to its staff.

Analysis of Information Technology Utilization on Report Quality Finance

Information technology also supports the quality of financial reports, because a good planning, administration and reporting system will provide results with accurate, relevant and complete quality information. Prior to 2021 the system used by the Medan City Government, especially the Medan City Regional Tax and Retribution Management Agency, was the Regional Management Information System (SIMDA) designed by the Financial and Development Supervisory Agency (BPKP), this system was optimal and produced planning, administration and quality reporting and easy to use by human resources.

However, in 2021 the system used and instructed by the Medan City Government, especially to the OPD, the Medan City Regional Tax and Retribution Management Agency, uses the Regional Government Information System (SIPD) where this system has just been designed by the IT Ministry of Home Affairs. This system from planning is not optimal because the results of the budget implementation document are a little confusing because it is detailed to the details of the sub activities

so it is a little difficult to read the document, judging from the administration it is still very less than optimal because this system is not supportive in providing accurate data such as general cash book data, functional reports and some other reports so that they have to make reports manually and it takes time and makes other work delayed, if seen also from this report which is very less than optimal because it is not capable of creating accurate and quality reports. The problem of using information technology is also an obstacle in creating quality financial reports for the Medan City Government, especially the Regional Tax and Retribution Management Agency because of the transition from SIMDA to the Regional Government Information System (SIPD) which is still not supportive in the process of preparing financial statements, this is a lesson for students. Medan City Government in particular the Regional Tax and Retribution Management Agency that the Regional Government Information System (SIPD) can be said to be still less effective in being used in Regional Government. End of July 2022, that there is information, both SIPD and SIMDA systems will be merged. This will create new challenges in the preparation of financial statements.

Discussion on the Relationship of HR Competence with the Quality of Financial Reports

From the description of the results of the questionnaire answers and the results of interviews with key informants, it can be concluded that the quality of human resources is still not optimal in compiling quality financial reports. HR competence is assessed from the dimensions and indicators, namely knowledge and skills, in fact it is already good, this is supported by the relevance of academic knowledge in lectures and especially the experience of HR in the Medan City BPPRD, especially in the finance department, for more than 3 (three) years working in the unit that compiles Financial statements.

However, regarding the preparation of financial reports in 2021, it was found that the HR Training for authorized financial officials at the Medan City BPPRD which was carried out in September 2021 was not optimal, due to several factors, namely Education and Technical Training on Financial Report Preparation organized by the Medan City Government. This does not fully support the knowledge of HR in the preparation of financial reports due to the transition of the latest mechanism in the preparation of financial reports where the HR of the Medan City BPPRD is already accustomed to the old mechanism, but the results of the training do not provide maximum knowledge support to the Medan City BPPRD HR also because the presenters who providing education and training is still in the learning process stage with the latest mechanism and added to the problem where the quality of the application system which was originally application-based then became a website-based reporting system which incidentally was still in the experimental stage, at the time of The preparation of the 2021 financial statements that followed made the understanding of Medan City BPPRD HR less than optimal with the latest mechanism, resulting in a decrease in the effectiveness and efficiency of reporting in 2021 which could not be

submitted on time.

To improve the quality of the Medan City BPPRD Financial Report from the HR aspect, several things need to be done, namely:

- a. The leadership and employees of the Medan City BPPRD finance department periodically reconcile with related parties
- b. Between Regional Organizational Organizations (OPD) and the inspectorate in order to have good coordination and more effective communication, through collaboration between all civil servants starting from the level of the Head of the Agency, Secretary, Head of Division and Head of Sub-Section/Subsection, Treasurer so that all the data needed in the preparation of LK can be available
- c. BPK to provide clear SOPs and do not differ from one examiner to another
- d. The existence of socialization, Training and Technical Guidance related to understanding the use of the new reporting system from application to website-based, so that transfer of knowledge can be maximized from the Medan City Government to related agencies under it.

Discussion on the Relationship between Senior Management Support and Financial Statements Quality

From the description of the results of the questionnaire answers and the results of interviews with key informants, it can be concluded that Top Management Support is optimal. The implementation of management functions has been carried out, such as the planning process, human resource placement, coordination between work units, and supervision that has gone well. Things that need to be improved so that Top Management Support continues to coordinate with the Regional Government, especially regarding the existence of new laws and regulations related to financial reports.

Discussion of the Relationship between Information Technology Utilization and Financial Statements Quality

In 2021 the system used by the Medan City Government, especially the Medan City Regional Tax and Retribution Management Agency, uses the Regional Government Information System (SIPD), which is a new system designed by the Ministry of Home Affairs IT. This system from planning is not optimal because the results of the budget implementation document are a little confusing because it is detailed to the details of the sub activities so it is a little difficult to read the document, judging from the administration it is still very less than optimal because this system is not supportive in providing data accuracy such as general cash book data, functional reports and some other reports so that they have to make reports manually and it takes time and makes other work delayed, if seen also from this report which is very less than optimal because it is not capable of creating accurate and quality reports.

The SIPD application on the reporting menu still needs a lot of improvement because it does not support the system, use and output of reports so that this becomes an obstacle for the Medan City Government, especially the Regional Tax and Levy

Management Agency in making and submitting the results of Financial Reports, then because of these obstacles the Medan City Government agreed to return to using the Regional Management Information System (SIMDA) to accelerate and catch up with the long time in submitting financial reports. So that there is a delay in reporting because the time required to prepare financial reports becomes ineffective and inefficient due to the shift in the reporting mechanism. The problem of using information technology is an obstacle in creating quality financial reports for the Medan City Government, especially the Regional Tax and Retribution Management Agency so that the Regional Government Information System (SIPD) which is still not supportive in the process of preparing financial reports, this is a lesson to the Medan City Government, especially the Agency Regional Tax and Levy Manager that the Regional Government Information System (SIPD) can be said to be still less effective in being used in Regional Government.

Conclusion

From the results of the analysis and discussion, the conclusions of this study are, the competence of Human Resources at the Medan City BPPRD has not been maximized, especially regarding the preparation of financial reports in 2021, due to the HR training for authorized financial officials at the Medan City BPPRD which is carried out annually is not optimal, due to several factors, the training held by the Medan City Government in September 2021 did not fully support HR knowledge in the preparation of financial reports due to the transition to the latest mechanism in the preparation of financial reports where the Medan City BPPRD HR was used to the old mechanism, because the presenters who provided the training were still in the learning process with the latest mechanism and added problems where the quality of the application system which was initially application-based then became a website-based reporting system which incidentally is still in the experimental stage, at the time of the preparation of the 2021 financial statements which occurred later made the understanding of the Medan City BPPRD HR less than optimal with the latest mechanism, resulting in a decrease in the effectiveness and efficiency of reporting in 2021 that cannot be submitted on time.

Top Management support is optimal, there are efforts from the leadership in providing direction and training, especially related to the preparation of financial reports. The implementation of management functions has also been carried out, such as the planning process, human resource placement, coordination between work units, and supervision that has gone well. Management actively provides training to provide knowledge & skills to staff to be more competent with the budget provided for the Education and Training expenditure post as well as the Implementation of ASN Duties and there are routine activities such as Internal Meetings or Coordination Meetings to discuss obstacles, performance targets, and reports made so that create good communication from top management to its staff.

Utilization of information technology is still not maximized, in the process of

preparing financial statements, in fact in the reporting of financial statements in 2021 there is a problem with the use of information technology which is quite crucial so that it becomes the main obstacle in creating quality financial reports on time to the Medan City Government, especially the Tax and Tax Management Agency. Regional levies due to the transition from SIMDA to SIPD which are still not supportive in the process of preparing financial reports, this is a lesson to the Medan City Government, especially the Regional Tax and Retribution Management Agency that the Regional Government Information System (SIPD) can be said to be still less effective in use in Regional Government.

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