

Quality of Regional Financial Statements: The Influence of Information Systems on Financial Management and Fixed Assets Management (Studies at Two Local Government Agencies in West Bandung Regency)

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ABSTRACT

The purpose of this study was to determine the effect of regional financial management information systems and regional fixed asset management on the quality of local government financial reports either partially or simultaneously. The sampling technique in this research is using Probability Sampling with the Cluster sampling method. The sampling technique in this research is using Probability Sampling with the Cluster sampling method. Data collection was carried out by distributing questionnaires to 60 employees who perform accounting and financial administration functions in two local government agencies in West Bandung Regency. The collected data is processed using quantitative testing with regression analysis techniques. Hypothesis testing used is multiple linear regression analysis, t-test, F test, and determination coefficient. This study indicates that there is a positive effect partially and simultaneously between the regional financial management information system and regional fixed asset management on the quality of the report. The magnitude of the influence of the regional financial management information system and regional fixed asset management on local government financial reports' quality was 75.3%. In comparison, the remaining 24.7% influenced by other factors outside the variables studied. The recommendations recommended can further improve the performance of regional fixed asset management and improve the regional financial management information system's infrastructure.

Keywords: financial management, fixed asset management, quality financial reports.

INTRODUCTION

Every central government and regional government should establish good governance in their respective autonomous regions. Good governance reflects in the process of financial

management, presentation of financial reports, and government financial accountability following established standards. (Moonti, 2019)

Since Indonesia began to enter the reform era and the current industrial 4.0 era, the government has tended to be dynamic.

Breakthroughs in the pattern of government prevailing in Indonesia have also emerged. Including those relating to the pattern of relations between the central government and local governments. In running the government, the regional government gives the central government's power and authority to take care of the people's welfare, called decentralization or regional autonomy. (Rose, 2004)

Based on the principles, principles, and general basis for the preparation, implementation, administration, reporting, supervision, and accountability of regional finances stipulated in this government regulation, local governments expect to be able to create a regional financial management system that is following local conditions and needs while still complying with laws and regulations. higher invitations and reviewing the system continuously to realize effective, efficient, and transparent regional financial management. (Muda, Wardani, Maksum, Lubis, Bukit & Abubakar, 2017)

The qualitative characteristics of these financial reports are necessary for a government accounting system. The government accounting system is a systematic series of procedures, operations, equipment, and other elements to realize the accounting function from transaction analysis to financial reporting within government organizations that refers to government regulations and legislation.

A Regional Financial Management Information System has an essential role in meeting qualitative requirements and as a technical guideline for financial management accountability that can be done manually or computerized. In the current digital era and the development of technology, many Regional Financial Management Information System applications are made and adopted by central and local governments. This condition expects to

minimize the risk of human error and improve the accuracy of financial information and the components in the financial statements presented.

Local government is one of the essential elements in government administration and services to the community. It is one of the pillars of revenue generation for local governments. Therefore, local governments need to manage regional assets properly. In the management of regional assets, local governments must consider various aspects ranging from planning needs, procurement, administration, utilization, maintenance, and security to supervision so that regional assets can contribute optimally to the local government concerned. In conclusion, regional assets must appropriately manage by local governments. (Allen, Hemming & Potter, 2013)

One of the main problems in processing regional assets is the disorder in processing data on asset goods. This condition causes local governments to experience difficulties in knowing what assets they control and manage so that assets managed by local governments tend not to be optimally used. According to Schneider, Gaul, Neumann, Hogräfer, Wellßow, Schwan & Schnettler (2006), several asset management stages can carry to increase assets, namely asset inventory, legal audit, asset valuation, asset optimization, and asset supervision and control. If the five stages of asset management care properly, it will provide significant benefits for the government in increasing efficiency, effectiveness and creating added value in managing assets that are accountable and transparent. (Hastings, 2010)

In various studies and public analyses, regional asset management has not given much serious attention than regional financial management. Regional assets are as urgent and essential as regional financial management.

(Guironnet, Attuyer & Halbert, 2016) Even in the audit reports of financial audit agencies, those with interest, whether local governments, council members, civil society groups, or non-governmental organizations, pay more attention to finding figures and financial analysis of losses. Local government from the financial side. Compared to regional assets, this is not a concern no matter how significant the deviation is.

In various cases, one of the causes of the WTP predicate by the financial audit agency can not be obtained by the local government on the audit results due to problems in recording assets. The problem that causes the exception to this financial report is the management of fixed assets that are not yet fully supported by proof of ownership and messy records, even though these assets are under the local government's control.

Research by Setiyawati & Doktoralina (2019) shows that in regional financial management reporting is not as easy as we imagine, financial reports can meet the qualitative characteristics of financial statements if the financial statement components present data as detailed as possible, especially on fixed assets, where fixed assets are accounts that have a significant influence on blood financial statements. Also, suppose the financial statements of the regional government want to obtain an unqualified opinion. In that case, the local government must report and present the financial statements under the financial statements' criteria for fairness of financial information.

Based on the phenomena and relevant previous research, the problem formulation in this study is how much influence the regional financial management information system and regional fixed asset management have on the quality of local government financial reports both partially and simultaneously. In comparison, the

goal and research objectives were to determine the magnitude of the influence of the regional financial management information system and regional fixed asset management on local government financial reports' quality, either partially or simultaneously.

RESEARCH METHODS

The research location conduct at two agencies in the West Bandung Regency Government. Based on the results of the calculation, the minimum number of samples studied was 75 respondents. However, at the beginning of the study, 15 respondents needed, the sample studied to be processed, 60 respondents. In this study, the data analysis technique used is multiple linear regression analysis techniques. Before processing the data, the validity and reliability tests were conducted to determine the instrument's accuracy and consistency. The validity test results showed a correlation between 0.794-0.849 for variable X1, ranging from 0.644 to 0.734 for X2 and between 0.934-0.948 for variable Y, so it can say to be valid. In contrast, the Cronbach's Alpha number for variable X1 is obtained 0.831, for variable X2 is obtained 0.712. For variable Y is 0.945, some instruments are reliable if the results of the reliability coefficient are > 0.70 . The X questionnaire can be said to be reliable because the calculation results obtained > 0.70 .

RESULTS AND DISCUSSION

Based on data processing, it knows that the t-count value for the regional financial management information system variable is 2.803 with a regression coefficient value of 0.269 and a significance level (Sig.) Of 0.007. With a significance level of less than 0.05, it can conclude that the regional financial management

information system has a significant positive effect on the quality of financial reports. This study indicates that with the implementation of a regional financial management information system in the government, the quality of financial reports is predicted to be better.

Based on data processing, it can see that the count value for the fixed asset management variable is 10.247 with a regression coefficient value of 1.140 and a significance level (Sig.) Of 0.000. With a significance level of less than 0.05, it can conclude that fixed asset management has a significant positive effect on financial statements' quality. The results of this study indicate that good fixed asset management will improve the quality of financial reports.

The ANOVA calculation result shows the F value of 87.057 and is significant at the 0.000 level because 0.000 is smaller than 0.05, the hypothesis can be confirmed. This result means that the financial information system and regional asset management have a significant positive effect on financial reports' quality. Good financial reports can be useful for users if the financial statements present are easy to understand and relevant; therefore, the better the regional financial management information system and regional financial reporting, especially in regional asset management, the better the financial reports produced. This regional financial management information system and regional asset management can provide regional financial information to its users.

After knowing the test results of the independent variable's effect on the dependent partially and simultaneously, it calculates how much influence the regional financial management information system and fixed asset management have on local governments' financial statements.

The calculation results show that the regional financial management information system's correlation coefficient value and regional fixed asset management on the quality of regional financial reports is 0.868 (R-value). Apart from the correlation coefficient, the R-square value is 0.753. The coefficient of determination is 75.3%. This result shows that 75.3% of changes in local government financial reports' quality cause by the regional financial management information system and regional fixed asset management. In other words, the regional financial management information system and the regional fixed asset management had an effect of 75.3% on the quality of financial reports. At the same time, the remaining 24.7% explained by other factors outside the regional financial management information system variables and regional fixed asset management such as the quality of human resources, the principles of regional financial management, and aspects of regional financial reports as assessed by the BPK, and other.

The results of this study support previous research by Sari & Heryanto (2019), which proves that there is an influence of regional financial management information systems on the quality of regional financial reports. Due to the competence of human resources and financial information systems. Furthermore, research conducted by Grubišić, Nušinović & Roje (2009) proves that regional fixed asset management can increase transparency and accountability to the public, which has an impact on regional financial reporting.

CONCLUSIONS

Based on the test results in this study, it can conclude that the regional financial management information system has a significant positive effect on the quality of financial reports. It shows

that when there is an increase in the regional financial management information system, it can improve financial reports' quality. This result is in line with government accounting standards in meeting the qualitative characteristics of government accounting standards and the qualitative characteristics of government financial reports that require a regional financial management information system as a technical guideline for accountability for regional financial management. Regional fixed asset management has a significant positive effect on the quality of financial reports. The better the implementation and accountability in managing regional fixed assets, the better the quality of the resulting financial reports can realize. Regional financial management information systems and regional fixed asset management have a significant positive effect on local government financial reports' quality. This result shows that regional financial reports' quality is simultaneously influenced by the regional financial management information system and regional fixed asset management. However, other factors affect the quality of regional financial reports, such as the quality of human resources, regional financial management principles, and aspects of regional financial reports assessed by the Financial Supervisory Board and others.

Based on the research results, in implementing a regional financial management information system, local governments can adjust to the latest laws and regulations, the criteria that have determine, and carry out regular evaluations to avoid a mismatch between one report and another. Local governments should evaluate the quality of financial reports, especially in managing fixed assets, to obtain WTP (Unqualified).

This study does not test other components such as the quality of human resources, role of facilities and infrastructure, as well as aspects of

financial reports that are assessed by the BPK due to limitations on the part of the researcher; thus, it is hoped that further researchers can research these variables. This research only conducts in two regional government agencies; therefore, future research will be carried out in the future because it covers a broader area. If the population and sample multiplied, it is possible to get different results.

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