Factors That Influence the Financial Statements' Quality of the Regional Government of South Tapanuli Regency

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ABSTRACT

This study aims to test, analyze and provide empirical evidence of the influence of human resource competencies, local government information systems, accountability, internal control systems, and organizational commitment affect the quality of the financial statements of the Regional Government of South Tapanuli Regency.

Research respondents were the Head of Finance Subdivision, Treasurer of Receipt and Treasurer of Regional Apparatus Organization Expenditures as many 104 respondents. This study uses primary data. The data analysis used is Partial Least Squares Structural Equation Modeling (PLS-SEM) with the Smart PLS 3.0 software program.

The results showed that human resources, local government information systems, accountability, internal control systems and organizational commitments had a positive effect on the quality of the financial statements of the Regional Government of South Tapanuli Regency.

Keywords: Human Resources, Regional Government Information Systems, Accountability, Internal Control Systems, Organizational Commitments, Quality of Financial Statements.

INTRODUCTION

The quality of financial statements is a financial statement that can meet the four qualitative characteristics of financial statements: reliability, relevance, and can be understood and compared. Quality financial statements are essential to realising income, expenditure, transfer, and financing with the established budget, assessing the financial condition, evaluating the effectiveness and efficiency of a reporting entity and helping determine its obedience to statutory regulations. The financial statements are also the basis for decision-making and show the reporting entity's accountability for the resources entrusted to it. The purpose of financial reporting is to present helpful information in decision-making as a means of public accountability and to provide useful information to evaluate organizational performance. In line with Mahmudi's statement (2013), financial statements also function as a means of accountability and performance evaluation, especially financial performance.

Each entity, including local governments, is required to prepare financial reports. Regional Government Financial Reports (LKPD) provide an overview of the conditions and financial performance of the region. LKPD is a form of accountability for public funds, namely the Regional Revenues and Expenditures Budget (APBD). A good LKPD will show that the regional head is responsible under the authority given to him in implementing the responsibility of managing the organization (Setyowati et al., 2016).

The preparation of regional financial statements must follow the PSAP that has been issued by Government Regulation

Number 71 of 2010, where the results of the accounting process are:

1. Budget Realization Report (LRA)

The budget realization report is a report that illustrates the realization of income, expenditure, and financing during a period.

2. Balance Sheet

The balance sheet is a report that presents information on the government's financial position, namely assets, debt, and equity funds, at a specific date.

3. Cash Flow Report (LAK)

Cash flow statements are reports that describe cash inflows and outflows during a period, as well as cash positions at the reporting date.

4. Note to Financial Statements (Central and Regional Government Accounting Standards Committee).

Note to the financial statements is an inseparable part of the financial statements that present information about the explanation of the financial statements in the context of adequate disclosure.

In addition to the four elements of financial statements, each region is required to convey information relating to regional finance, namely the financial statements of regional-owned enterprises and data relating to the needs and potential of the regional economy. The conceptual framework of government accounting in paragraph 35 explains that there are four qualitative characteristics of financial statements, namely:

1. Relevant

The information can influence user decisions by helping to evaluate past or present events, predict the future, and confirm or correct the evaluation results. Information can be said to be relevant if presented on time and complete.

2. Reliable

Information in financial statements is free from misleading understanding, and material errors present every fact honestly and can be verified.

3. Can be compared

The information in the financial statements will be more helpful if it can be compared to the financial statements of the previous period or the general financial statements of other reporting entities.

4. Can be understood

The information presented in financial statements can be understood by the user and stated in the form and terms tailored to the limits of the understanding of users.

These four characteristics are normative prerequisites needed so that government financial statements can meet the desired quality. The overall characteristics of the financial statements are assessed by the external examination agency, namely the Republic of Indonesia Supreme Audit Board (BPK-RI), to reflect the performance of financial management that produces quality financial statements. The BPK examination referred to is in the context of giving an opinion (opinion) as mandated by Law Number 15 of 2004 concerning Inspection of Management and Responsibility of State Finances. BPK also reported on the results of the Internal Control System (SPI) inspection and non-compliance with the statutory provisions.

BPK examination in the summary of the results of the semester inspection (IHPS) II in 2019 showed that there were 514 cases of weaknesses of SPI and 1,078 cases of non-compliance with legislation in local governments, BLUD and BUMD. The discovery of these cases identified that there are still problems in the process of public sector accounting transformation in Indonesia. The expectation of the functioning of accounting to reduce corruption and collusion, improve efficiency and effectiveness and realize transparency and accountability in managing state finances has not been able to show its maximum contribution. This phenomenon proves that many local governments still make mistakes in presenting financial statements and showing how the quality of information generated from the financial statements.

BPK's findings also revealed that there were problems in South Tapanuli Regency. Significant problems in the management of the Funds for Health in South Tapanuli Regency so that the BPK provides an assessment of the conclusions of South Tapanuli Regency is less effective in managing these funds, namely capitation funds, special allocation funds (DAK), APBD and dropping.

Table 1. Summary of Conclusions and Significant Problems Health Sector Fund Management

South Tapanuli Regency	Conclusion	Significant Problems in Health Sector Fund Management			
		Capitation	DAK	APBD	*Dropping*
	Less Effective	v	v	v	v

Source: BPK, IHPS II Year 2019

Based on the table above, it can be concluded that:

1. Utilization of capitation funds by Puskesmas in South Tapanuli Regency is inadequate in planning and utilization. As a result, the receipt of capitation funds has not been utilized by the Puskesmas optimally.

2. DAK management in the health sector, physical and non-physical DAK, is inadequate, so the allocation of DAK in the health sector has not yet had an optimal impact.

3. Management of other health funds (in addition to capitation funds and DAK) is not yet fully adequate. As a result, other health sectors have not had an optimal impact.

4. Management of dropping goods from the Ministry of Health and the Provincial Health Officer and the placement of health workers in the framework of the Healthy Nusantara Program is not yet fully adequate. As a result, the receipt dropping of goods and health workers has not provided optimal benefits.

The results of the BPK examination at IHPS II in 2020 also revealed that there was a problem of performance ineffectiveness over the management of the Electronic-Based Government System (SPBE) in the administration of the 2019 TA Government to 2020 (Semester I) in the South Tapanuli Regency Government and other relevant agencies in Sipirok. These problems are in the aspects:

1. Commitment to strengthen governance

The results of the examination show that there is a commitment problem to strengthen the SPBE governance. The results of the development acceleration of the application of SPBE to the Regional Government have not been carried out in an integrated and comprehensive manner.

2. Development and Utilization of SPBE Infrastructure

The examination results show a problem that has not fully provided and utilized the data centre provided an intra - government network, supplied and used a connecting service system, and provided information and communication technology and infrastructure to support the application and development of SPBE. The results For the security of electronic data, the purpose of organizing SPBE to accelerate and implement government tasks has not been achieved. It is impossible to exchange data through intra-local government networks covering all OPDs. It is due to the management and supervision of the network of all OPDs, duplication of data and the diversity of technologies as well as metadata formats, ICT facilities and infrastructure whose realization has not been optimally used to support the implementation of SPBE.

3. Provision and development of applications and services

The study results indicate that local governments have not thoroughly planned, developed, and utilized integrated and sustainable user-oriented government administration applications and services to support achieving SPBE goals. It results in the provision of SPBE services not running optimally, integration of SPBE applications and services cannot be realized as a whole, and targets to achieve accurate and integrated data will be difficult to achieve.

4. Monev

The examination results showed that 42 entities (100%) revealed the existence of

monev problems in the development and application of SPBE. The results which cannot provide an overview of the achievement of SPBE implementation and improving the quality of the implementation of SPBE have not achieved the expected results.

Competent people will influence quality regional financial management in carrying out the task of preparing financial statements. Therefore the employees involved in these activities must understand the process of implementing accounting by guided by applicable provisions. Competent Human Resources (HR), supported by accounting education background, often attending training and having experience in finance, will more easily understand accounting logic well.

Making financial statements will run effectively and efficiently if all employees who make the financial statements understand accounting. Education is also an effort to develop human resources, especially for the development of intellectual aspects. The level of education is often an indicator that shows a person's level of intellect. The higher the level of education, the higher the knowledge and level of intellectuality of a person. A higher level of education will make it easier for someone to absorb information and implement it in daily behaviour and lifestyle.

General problems that occur in local government agencies that for the arrangement of personnel are often carried out not according to needs in quantity and quality. From the aspect of the quality of structuring personnel, it usually does not follow the principle of "The Right Man on the Right Place" this is related to the development of the organization that only considers the authority. On the other hand, the quality of the existing apparatus resources does not meet the competencies that should be completed. It impacts the financial statements, which are of poor quality.

The competence of human resources is essential so that the budget management becomes good because poor human resources result in poor budget management and impact the realization of a late budget (Sudarwati et al. 2016). Without good and competent human resources, organizations with reasonable goals will be challenged to achieve them. The competence of human resources is very closely related to building good organizational governance. Therefore, human resources management must be done as well as possible to contribute to the organization.

In good government financial management, work units must have competent human resources, which are supported by accounting education backgrounds, often attend education and training and have experience in the financial sector. Skilled human resources will understand accounting logic well to implement the accounting system. The failure of government human resources, namely understanding and implementing accounting logic, will impact the mistakes of the financial statements presented and the mismatch of reports with the standards set by the government (Warisno, 2008).

Martoyo (2007) explains that human resources are the primary buffer pillars and the driving force of the organization to realize the vision, mission, and objectives. To achieve goals, organizations require quality human resources. With the existence of Human Resources Management (HRM) in organizations, it can create quality humans and efficiency (Adhi & Suharjo, 2013). Human resources are human capital in an organization.

Research conducted by Tawaqal and Suparno (2017) showed that HR competencies positively affected the quality of financial statements. These results are in line with Silviana & Zahara (2015), Kasim (2015), Kiranayanti & Erawati (2016), Kurniawan (2016), Armel (2017), and Mulia (2018). Unlike the results of Wijayanti and Handayani's study (2017), HR competence has no positive effect on

the quality of regional financial statements. At the same time, Afiah & Rahmatika (2014) and Suwanda (2015) revealed that HR competencies influenced but insignificantly the quality of financial statements.

The regional government information system is beneficial for human resources in carrying out its duties, reducing errors in the preparation of financial statements compared to manually made.

In the explanation of Government Regulation No. 56 of 2005 concerning the Financial Information System, it is stated that to follow up on the implementation of the development process that is in line with the principles of good governance (good governance), the central government and regional governments are obliged to develop and utilize information technology advances to improve the ability to manage finances and distribute information Finance to public services. The government needs to optimize the utilization of information technology advances to build a management information system network and work processes that allow the government to work in an integrated manner by simplifying access between work units. Regional Financial Management Information System is a system used by local governments to obtain information about financial management. The regional government needs the regional financial management information system as one of the tools to monitor and evaluate the financial management of each regional apparatus organization (OPD) in the regional government. From the regional financial management information system, the OPD leadership can monitor the extent to which activity has been implemented, and the funds have been absorbed by the activity that has been carried out. So that it can be assessed whether the program or action has been implemented economically, efficiently and effectively. Local governments need a system that can produce financial reports and other financial information more comprehensively, including information on the regional financial position.

Starting in 2006, the process of preparing financial statements by ministries/institutions was carried out using the e-rekon application. This application accelerates consolidating financial statements, reducing the cost of preparing financial statements, reducing goods spending, and providing reliable financial statements. The use of information technology is a necessity that will further assist regional financial managers in producing forms and reports needed by the OPD leadership accurately and on time. The use of information technology in regional financial management has been accommodated in Permendagri Number 13 of 2006 Article 225, which allows the use of computer applications in managing restricted finances so that it can produce effective and efficient regional financial management information systems related to the implementation of an activity, while quality will always be connected with the performance of a program. The responsibility to present the accountability report on an activity's implementation is to the OPD's head.

Using a budget financial management system in OPD in South Tapanuli Regency in accordance with technological and information technology (IT) is applied to accelerate data transfer and efficiency in collecting regional financial data. SIPKD is an integrated application used for regional financial management in OPD in South Tapanuli Regency to increase the effectiveness of implementing various financial management regulations based on the principle of efficiency, economics, effectiveness, transparency, accountability and auditable.

Mutiana et al. (2017) found that information technology affects the quality of financial statements. These results are in line with Agustiawan & Rasmini's research (2016), Mardinan et al. (2018), Yusup (2016), Yuliani (2014), and Nasution & Nurwani (2021). However, Suwanda's

research results (2015) show that using information technology does not affect the quality of local government financial statements.

Mardiasmo (2006) argues that accountability is an obligation to provide responsibility for the success or failure of implementing the organization's mission in achieving the goals and objectives of the media accountability periodically. The accountability media is in the form of accountability reports for one fiscal year, namely the LKPD. Government accountability plays an essential role in guaranteeing the quality of financial statements. Accountability also determines the confidence level of those who assess the financial statements, such as donors, investors, and creditors (Mardiasmo, 2006).

The government's financial statements are the assertion of government management that presents valuable information for decision making and demonstrate the accountability of reporting entities on resources entrusted to it. The principle of accountability stipulates that the people must account for every activity and outcome of the state administration activities as the highest sovereignty holder in a country.

The problem of accountability is one of the problems in the local governments' implementation, which until now continues to be reviewed by the government. The phenomenon observed in current financial management is the strengthening of the demands of implementing public accountability by public organizations such as government work units, both central and regional. Public accountability is the obligation of the mandate holder to provide accountability, present, report, and express all activities and activities that are their responsibility to the trust giver who has the right and authority to request the accountability. Interested parties must access the entire government process, institutions, and information, and available information must be adequate to be understood and monitored. It is inseparable from the community's wishes for the implementation of a government that is clean of collusion, corruption, and nepotism (KKN).

One type of accountability that needs attention is financial accountability. The essential instrument of financial accountability is government finance and transparency, where the government financial accountability report reflects the form of accountability. Compared to the achievements in 2018, LKPD, which received WTP opinion, increased in 2019. The increase was supported by local government efforts (Pemda) to improve the weaknesses that occurred in the previous year through applying government accounting standards (SAP) and the application of software Accounting Information System (SIA) and Increasing Apparatus Competency and Application of SPI.

Anjani's research (2014) shows that both partially and simultaneously, accountability and transparency influence the quality of local government financial statements. As an implementation of public policy, accountability requires adequate HR capacity in terms of the amount, expertise (competencies, experience and valuable information), and organizational capacity development (Insani, 2009). But Syarifudin (2014) states that the competency of the apparatus does not affect the quality and accountability of LKPD.

The Internal Control System (SPI) is one of the legislation mandates that must be guided and carried out in the preparation of the central government's and regional governments' financial statements. SPI provides confidence that all activities have been carried out efficiently and effectively. SPI is a management tool aiming to achieve various extensive goals. This goal is to guarantee compliance with law and regulations, ensure the reliability of financial statements and financial data, and facilitate the efficiency and effectiveness of government operations. Internal control is the foundation of good governance and the

first line of defence in fighting the irregularity of data and information in the preparation of LKPD.

Cases of weaknesses of SPI, in general, occur because the officials/ implementers who are responsible have not accurately recorded and did not obey existing provisions and procedures. There are no clear accounting policies and treatment, less careful in planning, have not coordinated With related parties, the determination/ implementation of policies that are not appropriate, have not established procedures for activities, and weak in supervision and control. In addition to the cases of SPI's weaknesses, the BPK also revealed the non-compliance of local governments that caused state losses.

The government's internal control system, it is stated that effective internal control will be able to provide adequate confidence in the reliability of financial statements. Evaluation of SPI's effectiveness is one of the criteria for giving opinions. SPI is declared acceptable if the elements in the SPI present an interrelated control and can convince the user that the financial statements are free from material misstatement. Opinions given by the BPK on the financial statements of the local government concerned will be influenced by the SPI within the entity. This SPI is designed to recognize whether the SPI has been adequate and can detect weaknesses.

The BPK Semester IHPS results revealed that LKPDs receiving Unqualified Opinion (UO) and Qualified Opinion (QO) generally had adequate internal control. In contrast, LKPD, which received Disclaimer Opinion (DO) and Adverse Opinion (AO), still needed many improvements to an inner power. It can also be concluded that the more inspection findings on the examination report (LHP) on LKPD means, the more ineffective the internal control system that takes place in local government entities, or it can be said that the smaller the opportunity to get UO and QO.

Yendrawati (2015) revealed that the SPI had a negative effect on the quality of financial statement information. These results are in line with the research of Afiah & Rahmatika (2014), Silviana & Zahara (2015), Kiranayanti & Erawati (2016), Agustiawan & Rasmini (2016), Tawaqal & Suparno (2017), and Mutiana (2017). Budiawan & Purnomo (2014) and Suwanda (2015) found that the SPI had no positive impact on the quality of financial statements.

Organizational commitment is a driver of individual psychological aspects in running the organization for the expected performance achievement (Arthana et al., 2015). Employees with a high organizational commitment will obey the rules, try to carry out their duties and responsibilities well and show dedication and strong support in achieving the vision and mission of the organization. Conversely, employees with low organizational commitment will be more concerned with personal interests, which will impact decreasing performance. Employee mutations that often occur in government agencies can affect the commitment of the employee organization itself and the effectiveness of the implementation of the duties and functions of the position. Mowday et al. (1997) argue that the factors forming organizational commitment will be different for employees who are just working after undergoing a long period of work, as well as for employees who work in a long stage and consider the organization to be a part of his life.

Organizational commitment is one factor that affects the quality of financial statements. Organizational commitment is determination, a solid determination and a promise to do or realize something that is believed. It likens the relationship of employees with the organization actively because employees who show high commitment desire to provide more energy and responsibilities for the welfare and success of the organization where it is work. Organizational commitment will maintain compliance in presenting reliable

government financial statements under SAP. The low commitment of the organization owned by employees will interfere with the performance of operational activities so that there is the indiscipline of employees and the absence of individual desires and readiness to accept various challenges and job responsibilities. It can cause employee self-development and creativity to decline and impact government financial statements. The result is less quality.

Suwanda's (2015) research shows that organizational commitment affects the quality of local government finances. This research is in line with Latjandu et al. (2016), Mutiana et al. (2017), Widari & Sutrisno (2017), and Fitrisyah & Rasuli (2017).

Based on the above phenomena and the inconsistency in previous studies, the researcher is interested in researching with the title "Factors Affecting the Quality of the Financial Statements of the Regional Government of South Tapanuli Regency".

Framework
Following the description of the background of the problem, literature review, and previous research, a conceptual research framework is prepared as follows:
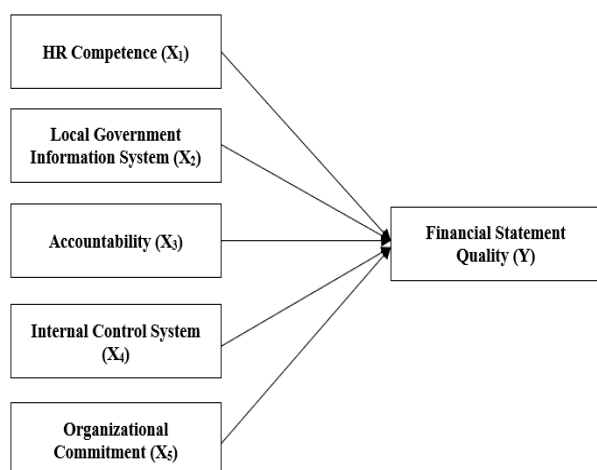

Figure 1. Conceptual Framework

H1: Human resource competence has a positive effect on the quality of financial statements
H2: Regional Government Information System has a positive effect on the quality of financial statements

H3: Accountability has a positive effect on the quality of financial statements
H4: The internal control system has a positive effect on the quality of financial statements
H5: Organizational commitment has a positive effect on the quality of financial statements

RESEARCH METHODS

This research was designed by research using causal research. Causal research is research with identified causal relationships between variables (Sugiyono, 2019). This study uses causal research to analyze the factors that affect the quality of the financial statements of the South Tapanuli Regency Government.

In this study, the survey research method is field research conducted on samples of a particular population whose data collection is carried out using a questionnaire (Sekaran, 2003). Survey research methods are used to obtain data from certain places by collecting data by circulating questionnaires or interviews (Sugiyono, 2019).
The population in this study consisted of 44 ODP. The sample in this study used a saturated sample that all populations in the study were made a sample of 104 respondents. The sampling technique used is purposive sampling (desired criteria), where sampling is intentionally following the required sample requirements, with the criteria of each ODP in the form of 21 Office, 5 Agencies and 1 Regional Secretariat, 1 Regional Civil Service Police Unit, 1 Regional Inspectorate, 1 District and DPRD DPRD Secretariat and 14 Districts consisting of Head of Finance Subdivision, Treasurer of Revenue and Treasurer of Expenditures in the Regional Government of South Tapanuli Regency.

The instrument in this study used a questionnaire (questionnaire) which was carried out by giving respondents a set of questions and written statements to answer (Sugiyono, 2011). The questionnaire in this

study was prepared using an interval scale with the Likert method.

Data collection techniques in this study consist of two stages: documentation and survey. The data analysis technique used in this study uses SEM (Structural Equation Model) with the measurement of Partial Least Square (PLS).

RESULT AND DISCUSSION

1. Outer Model Evaluation Test

The measurement model test was used to assess the construct validity and reliability of the research instrument. It is because a research concept and model cannot be tested in a relational and causal relationship prediction model if it has not passed the purification stage of the measurement model. The outer model test consists of validity testing and reliability testing.

a) Convergent Validity Test

Convergent validity is part of the measurement model, which in SEM-PLS is usually referred to as the outer model. At the same time, covariance-based SEM is called confirmatory factor analysis (CFA) (Mahfud and Ratmono, 2013). There are two criteria to assess whether the outer model (measurement model) meets the requirements of convergent validity for reflective constructs, namely (1) loading must be above 0.7 and (2) significant p-value (<0.05) (Mahfud and Ratmono, 2013).
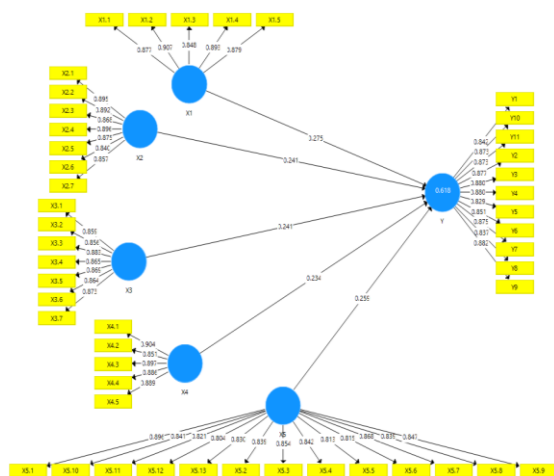
Source: Processed data (2022)
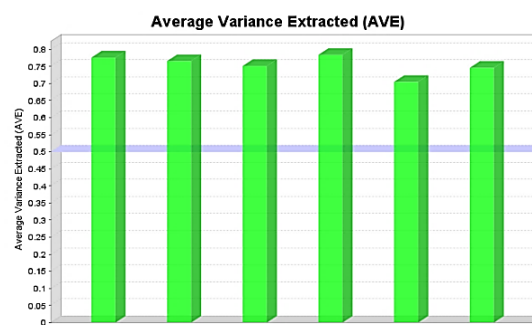**Figure 2.Validity Testing based on Loading Factor**

Based on the testing of the validity of the loading factor in Figure 2, it is known that the entire loading value is > 0.7, which means that it has fulfilled the validity requirements based on the loading value. It means that all indicators are valid as a measuring tool for their respective variables on the variables of human resource competence, local government information systems, accountability, internal control systems and organizational commitment.

Furthermore, validity testing is based on the average variance extracted (AVE) value. The model has enough convergent validity from the AVE value. It is said to be valid if the AVE value is greater than 0.5. From the processed data obtained the following results:

Table 2. Validity Test based on Average Variance Extracted (AVE)

Variable	AVE	Description
X1	0,776	Valid
X2	0,766	Valid
X3	0,752	Valid
X4	0,784	Valid
X5	0,705	Valid
Y	0,746	Valid

Source: Processed data (2022)

Source: Processed data (2022)
Figure 3. Validity Testing based on Average Variance Extracted (AVE)

b) Discriminant Validity Test

Cross-loading measurements assessed the discriminant validity test with the construct or by comparing the AVE root of a construct with the correlation between constructs in the model. The correlation value of each latent variable generated in the measurement model test can be seen in table 3.

Table 3. Discriminant Validity Testing based on Cross-Loading Approach

	X1	X2	X3	X4	X5	Y
X1.1	0,877	0,155	0,212	0,182	0,203	0,434
X1.2	0,907	0,210	0,194	0,208	0,206	0,418
X1.3	0,848	0,246	0,208	0,214	0,262	0,481
X1.4	0,893	0,238	0,242	0,244	0,249	0,498
X1.5	0,879	0,244	0,215	0,209	0,209	0,433
X2.1	0,199	0,895	0,195	0,211	0,197	0,403
X2.2	0,228	0,892	0,198	0,208	0,203	0,423
X2.3	0,211	0,868	0,182	0,208	0,214	0,414
X2.4	0,222	0,896	0,213	0,217	0,225	0,427
X2.5	0,250	0,875	0,257	0,270	0,233	0,473
X2.6	0,221	0,840	0,208	0,229	0,245	0,443
X2.7	0,192	0,857	0,219	0,185	0,175	0,405
X3.1	0,191	0,175	0,859	0,196	0,181	0,407
X3.2	0,182	0,180	0,856	0,180	0,170	0,382
X3.3	0,242	0,192	0,883	0,190	0,209	0,424
X3.4	0,193	0,212	0,865	0,178	0,212	0,399
X3.5	0,245	0,242	0,869	0,221	0,212	0,455
X3.6	0,235	0,249	0,864	0,258	0,244	0,455
X3.7	0,183	0,204	0,873	0,206	0,192	0,393
X4.1	0,194	0,204	0,220	0,904	0,197	0,403
X4.2	0,193	0,220	0,182	0,851	0,204	0,429
X4.3	0,201	0,218	0,196	0,897	0,201	0,415
X4.4	0,225	0,211	0,203	0,886	0,207	0,417
X4.5	0,250	0,254	0,247	0,889	0,257	0,457
X5.1	0,209	0,205	0,190	0,215	0,896	0,408
X5.10	0,208	0,217	0,183	0,187	0,841	0,428
X5.11	0,237	0,229	0,195	0,215	0,821	0,492
X5.12	0,224	0,214	0,263	0,230	0,804	0,422
X5.13	0,163	0,181	0,135	0,171	0,830	0,405
X5.2	0,212	0,204	0,174	0,222	0,839	0,389
X5.3	0,209	0,172	0,193	0,183	0,854	0,406
X5.4	0,207	0,202	0,183	0,156	0,842	0,407
X5.5	0,243	0,225	0,221	0,225	0,813	0,439
X5.6	0,254	0,239	0,234	0,240	0,815	0,453
X5.7	0,205	0,163	0,189	0,172	0,868	0,408
X5.8	0,216	0,207	0,215	0,220	0,839	0,408
X5.9	0,220	0,196	0,182	0,187	0,847	0,383
Y1	0,449	0,446	0,425	0,465	0,430	0,842
Y10	0,457	0,434	0,423	0,419	0,425	0,873
Y11	0,428	0,421	0,422	0,422	0,428	0,873
Y2	0,448	0,438	0,418	0,412	0,461	0,877
Y3	0,452	0,428	0,399	0,409	0,456	0,880
Y4	0,446	0,437	0,441	0,437	0,440	0,880
Y5	0,442	0,396	0,401	0,382	0,416	0,829
Y6	0,434	0,399	0,420	0,386	0,437	0,851
Y7	0,482	0,413	0,449	0,424	0,447	0,875
Y8	0,429	0,438	0,405	0,409	0,398	0,837
Y9	0,441	0,396	0,378	0,390	0,429	0,882

Source: Processed data (2022)

Based on the cross-loading test in Table 3, the loading value between each indicator and its latent variable is higher than the other latent variables, so the instrument/questionnaire that has been designed has good discriminant validity based on the cross-loading approach.

Examining and assessing discriminant validity is acceptable if the square root value of the AVE is greater than the correlation value of the latent variable with all other latent variables (Ghozali & Latan, 2015). The correlation value of each latent variable generated in the measurement model test can be seen in Table 4 as follows.

Table 4. Fornell-Lacker for Discriminant Validity Testing

	X1	X2	X3	X4	X5	Y
X1	$\sqrt{AVE_{X1}} = 0,881$					
X2	0,250	$\sqrt{AVE_{X2}} = 0,875$				
X3	0,244	0,241	$\sqrt{AVE_{X3}} = 0,867$			
X4	0,241	0,251	0,237	$\sqrt{AVE_{X4}} = 0,886$		
X5	0,258	0,245	0,235	0,242	$\sqrt{AVE_{X5}} = 0,840$	
Y	0,517	0,489	0,482	0,480	0,502	$\sqrt{AVE_{Y}} = 0,864$

Source: Processed data (2022)

The table above shows the AVE square root value of each latent variable is greater than the correlation value between the latent variable and other latent variables, so it is concluded that it meets the validity of valid discriminant validity through the Fornell-Larcker criteria.

c) Reliability Testing

Reliability testing in SEM-PLS can be done using a composite reliability value> value of 0.7 and the Cronbach's Alpha value> value of 0.6 (Ghozali & Latan, 2015). Reliability test results are presented in Table 5.

Table 5. Composite Reliability (CR) Test Results

Variable	Composite Reliability	Cronbach's Alpha	Description
X1	0,945	0,928	Valid
X2	0,958	0,949	Valid
X3	0,955	0,945	Valid
X4	0,948	0,931	Valid
X5	0,969	0,965	Valid
Y	0,970	0,966	Valid

Source: Processed data (2022)
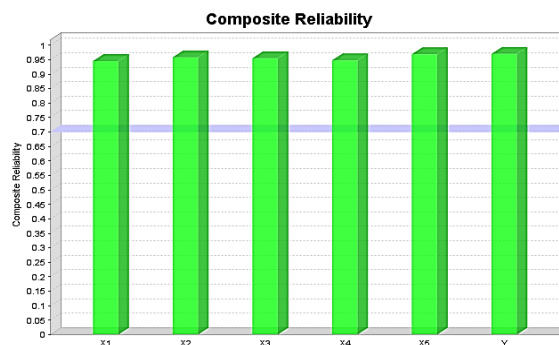

Source: Processed data (2022)
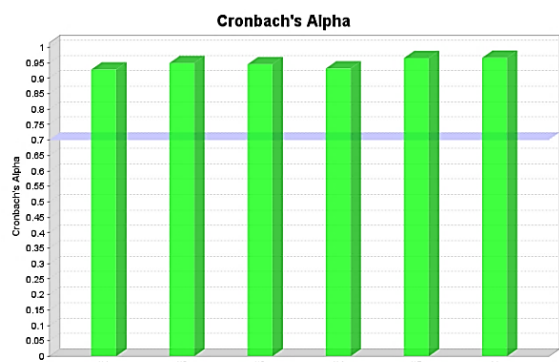**Figure 4. Composite Reliability (CR) Test Results**

Figure 5. Cronbach's alpha (CA)Test Results

CR and recommended CA values are above 0.7 (Mahfud and Ratmono, 2013). Based on Table 5, Figure 4 and Figure 5

Known, all CR and Ca> 0.7 values. It means that this research has met the reliability requirements. Thus the testing of the structural model (inner model) can be continued.

2. Inner Model Evaluation Testing
a) Test The Coefficient of Determination (R2)

The prediction strength of the structural model can use the R2 adjusted value of each endogenous construct (Ghozali & Latan, 2015). The values of R2 adjusted (0.75), (0.50) and (0.25) can be interpreted as the models formed (strong), (moderate), and (weak) to the number of variants of the construct that can be explained by the model (Ghozali & Latan, 2015)

Table 6. Coefficient of Determination (R-Square)

Variable	R Square	Description
Financial Statement Quality	0,618	Moderate

Source: Processed data (2022)

Table above shows the R-Square value of the quality of financial statements (Y) is 0.618, classified as moderate. These results explain that 61.8% of the quality of financial statements are influenced by HR competencies, local government information systems, accountability, internal control systems and organizational commitment. At the same time, the remaining 38.2% is influenced by other factors not observed in this study.

b) Predictive Relevance (Q2)

Q-Square statistics are used to measure the quality of PLS path models. The Q-Square value greater than 0 (zero) shows that the model has a reliable predictive value, while the Q-Square value less than 0 (zero) shows that the model has less predictive relevance. However, if the calculation results show the Q-Square value of more than 0 (zero), then the model is considered to have relevant predictive values (Ghozali & Lathan, 2016). The formula for calculating Q-Square is as follows:

$$Q^2 = 1-(1-R_1^2)$$
$$Q^2 = 1-(1-0,456) = 0,456$$

Based on the calculation results obtained, a Q-Square value of 0.456 shows the Q-Square value of more than 0 (zero), so in this study, the model is worth being said to have relevant predictive values.

Table 7. Predictive Relevance (Q2)

Variable	Q^2 *(Predictive Relevance)*
Financial Statement Quality	0.456

Source: Processed data (2022)

The table above shows the value of Q2 for Y is 0.456> 0. Then it is concluded that the competence of HR, local government information systems, accountability, internal control systems, and organizational commitment has relevance to predictions for the quality of financial statements. It is known that the value of Q2 = 0.456, which is> 0.35, then concluded the relevance of solid predictions.

c) Overall Fit Index (GOF)

Evaluation Criteria Overall Fit Index of the whole model obtained from the Average Communalities Index is multiplied by the R2 model. The GOF value stretches between 1-0, with an interpretation of this value being 0.1 (small GOF), 0.25 (moderate GOF), and 0.36 (large GOF), which formulas from GOF Index are:

$$GoF = \sqrt{Communalities \times R^2}$$

Table 8. Model Match Testing (Overall Fit Index)

|	Estimated Model
SRMR	0,045

Source: Processed data (2022)

The table above shows the suitability value of the model of 0.045 <0.10. It shows that the model formed in this study has a strong prediction power or that the model meets the goodness of fit criteria.

d) The significance test of the influence

Before testing the hypothesis, a structural model equation can be made

based on the results of the statistical testing presented:

$$Y = 0,275 (X_1) + 0,241(X_2) + 0,241 (X_3) + 0,234 (X_4) + 0,259 (X_5) + (e)$$
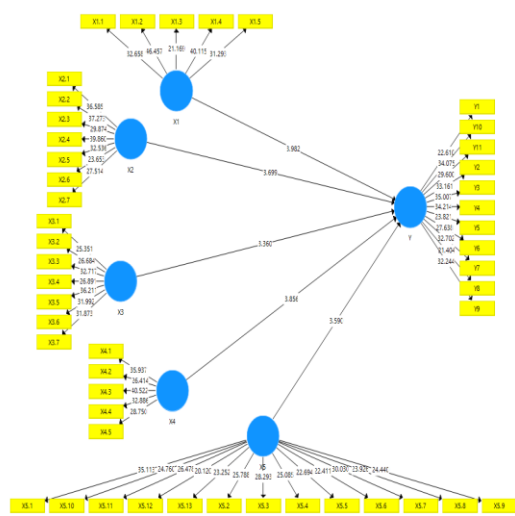
Source: Processed data (2022)

Figure 6. Statistical T value Diagram (Bootstrapping)

Table 9. Bootstrapping Significance Test

	Original Sample (O)	T Statistics	P Values	Description
X1 -> Y	0,275	3,982	0,000	Significant
X2 -> Y	0,241	3,699	0,000	Significant
X3 -> Y	0,241	3,360	0,001	Significant
X4 -> Y	0,234	3,856	0,000	Significant
X5 -> Y	0,259	3,590	0,000	Significant

Source: Processed data (2022)

Based on the results in Figure 6 and Table 9 can be described as follows:

a. HR competency (X1) has a positive effect on the quality of financial statements (Y), with a path coefficient value (original sample) of 0.275 and significant with a p-values value = 0,000 <0.05. Thus the hypothesis states that a positive and significant influence on human resource competencies on the quality of financial statements can be accepted. Or in other words, there is a significant influence of the competence of human resources on the quality of financial statements.

b. The Regional Financial Management Information System (X2) has a positive effect on the quality of financial statements (Y), with a path coefficient value (original sample) of 0.241 and significant with a p-values value = 0,000 <0.05. Thus the hypothesis states that there is a positive and significant influence on regional financial management information systems on the quality of financial statements can be accepted. Or in other words, there is a significant effect of the regional financial management information system on the quality of financial statements.

c. Accountability (X3) has a positive effect on the quality of financial statements (Y), with a path coefficient value (original sample) of 0.241 and significant with a p-values value = 0.001 <0.05. Thus the hypothesis states that accountability's positive and significant effect on the quality of financial statements can be accepted. Or in other words, there is a significant effect of accountability on the quality of financial statements.

d. The internal control system (X4) has a positive effect on the quality of financial statements (Y), with a path coefficient value (original sample) of 0.234 and significant with a p-values value = 0,000 <0.05. Thus the hypothesis states that the internal control system's positive and significant influence on the quality of financial statements can be accepted. Or in other words, there is a significant effect of the internal control system on the quality of financial statements.

e. Organizational Commitment (X5) has a positive effect on the quality of financial statements (Y), with a path coefficient value (original sample) of 0.259 and significant with a p-values value = 0,000 <0.05. Thus, the hypothesis that there is a positive and significant influence on organizational commitment on the quality of financial statements can be accepted. Or in other words, organisational commitment has a significant effect on the quality of financial statements.

CONCLUSION

Based on the results of research and discussion, the following conclusions can be drawn:

1. Competence of Human Resources has a positive effect on the quality of the financial statements of the Regional Government Organization of the South Tapanuli Regency Government.
2. The Regional Government Information System has a positive effect on the quality of the financial statements of the Regional Government Organization of the South Tapanuli Regency Government
3. Accountability has a positive effect on the quality of the financial statements of the South Tapanuli Regency Government Organization.
4. The internal control system has a positive effect on the quality of the financial statements of the South Tapanuli Regency Government Organization
5. Organizational commitment has a positive effect on the quality of the financial statements of the South Tapanuli Regency Government Organization.

RESEARCH LIMITATIONS

Weaknesses or deficiencies that were found after analyzing and interpreting the data were as follows:

1. Due to time and energy constraints, this research only examines the South Tapanuli Regency OPD, so the results only reflect the conditions of the OPD in the South Tapanuli Regency. They cannot be generalized to all circumstances in other district OPDs.
2. The scope of this research is limited to certain variables so that it is still possible to find different variables related to the quality of OPD financial statements so that the study of financial statements is more comprehensive.

3. The respondent's busyness, the OPD location that is not close together, and the tiered bureaucratic path require a long time to collect questionnaires.
4. Lack of understanding of respondents on questions in the questionnaire and attitude of concern and seriousness in answering all existing questions.

SUGGESTION

Based on the results of the research, discussion and conclusions obtained, the following suggestions can be given:

1. This research only focuses on one district with a small and limited number of samples, so it is hoped that further analysis can be developed in several districts/cities to get a broader picture and more representative results.
2. This research only tests five exogenous variables: human resource competencies, local government information systems, accountability, internal control systems and organizational commitment. It is recommended for further researchers to be able to add other variables so that the study of the quality of financial statements is more comprehensive.
3. Subsequent researchers should be able to anticipate by approaching and explaining to respondents the deadline for the return of the questionnaire and the importance of this research so that the respondent can restore a complete and timely questionnaire.
4. Further researchers to complete the survey method with interviews to improve respondents' attitudes of concern and seriousness in answering all existing questions.

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