

**DETERMINANTS OF FINANCIAL REPORT ACCOUNTABILITY,
AND IT'S IMPLICATION ON FINANCIAL REPORT QUALITY
AN EMPIRICAL STUDY OF FINANCIAL REPORT STATEMENT IN
NORTH SUMATRA PROVINCE, INDONESIA**

Tohonan Silalahi 

Lecturer, Faculty of Economics, University Singamangaraja Medan, North Sumatra, Indonesia
d.wahdani49@gmail.com

Sarton Sinambela

Lecturer, Post Graduate Prog., Magister of Management Tantular University, Jakarta, Indonesia

Abstract

Purpose of this research is to know and analyze the influence of effectiveness of trucks and internal control the commitment of the organization as the application of an accounting system, and accountability jointly on the quality of government financial report in North Sumatra. Methods used in this research is descriptive method. Unit of analysis in this research is the government in North Sumatra province with a unit of observation SKPD officials, with the sample size of 370 people SKPD officials. Analysis method used is descriptive analysis and analysis of structural equation model (SEM). Research findings suggest that to improve the quality of a financial statement that dominant financial report formed by dimensions can be compared to the reports on the previous period financial report financial or other entities reporting in general (Y7), we must be increased accountability a financial statement that dominant formed by responsibility dimensions presentation of a financial statement that aims to (Y1) public. Accountability can increase if the application of financial report accounting system formed by the application of the dominant dimensions presentation of financial statements (X13) used in an imprecise manner. The managerial implications of the research is implementing effectivity an internal control, commitment organization, and the application of an accounting system in together can to promote accountability government financial report Sumaetara in the province north with the contribution of impact by 45 % .Implementing effectivity an internal

control, commitment organization, the application of an accounting system and accountability financial reports in together can influence the quality of government financial report Sumaetara in the province north with the contribution of impact by 75 % .

Keywords: Internal control, organizational commitment, accounting application system, financial accountability report, financial reporting quality

INTRODUCTION

Good governance is the most prominent problems in current management. Public demands to governments to implement good governance must be addressed by the government with make changes that lead to the establishment of good governance.

A challenge to achieve the above goal is very heavy, considering the business behavior and public service undertaken by the government during the very long with various forms of action, activity, and mode of business voice ends in corruption, collusion, and nepotism that make Indonesia as one a broken country.

High levels of corruption poorly reflects the bureaucracy, which means also that the implementation of good governance is still far from complete, practice good governance can also improve the climate of openness, integrity and accountability in accordance with the basic principles of good governance in the public sector. Climate of openness created by a process of communication that is clear, accurate, and effective with stakeholders can assist in the implementation of activities in a timely and effective.

Second, integrity includes two things that honesty and completeness of the information presented to the public for resource management, funding, and public affairs. In the organization, reflected on the integrity of the decision-making procedures and the quality of financial reporting and performance resulting in a certain period.

In the second half of 2013, the CPC had checked 108 after 2012, the number of local governments until the second half of 2013 is 529, namely the provincial government 34, district 402, and local governments of 93, including five autonomous regions dob new, namely Borneo north, county beaches west (in Lampung province), pangandaran district (in western Java province), South Manokwari districts and counties Arfak (in west Papua province). As for local governments to prepare financial statements (received in 2012 only 524 local governments provincial / district. District / city in northern Sumatra still have to improve more than vote the financial statements for 2008 to 2013 carried out by development.Both counties and cities in

northern Sumatra generally get a qualified opinion (WDP) in 52% of 33 entities, has not said views (TMP) 9.1%.

Based on the background of the above problems, researchers are interested in examining whether the Internal Control implementation effectivity, Organizational Commitment and Accounting System Application in the Financial Report Accountability and how its implications on Financial Report Quality, titled "Determinants of Financial Report Accountability and Its Implication Financial Report Quality in province North Sumatra.

Problems Formulation

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

1. Whether there is the influence of the effectiveness of internal control over the accountability government financial statements in north Sumatra ?
2. Whether there is the influence of the commitment of organization over the accountability government financial statements in north Sumatra ?
3. Whether there is the influence of the application accounting system over the accountability government financial statements in north Sumatra ?
4. Whether there is the influence of the effectiveness of internal control, commitment of organization and application accounting system together over the accountability government financial statements in north Sumatra ?
5. Whether there is the influence of the effectiveness of internal control on the quality of government financial statements in north Sumatra ?
6. Whether there is the influence of the commitment of organization on the quality of government financial statements in north Sumatra ?
7. Whether there is the influence of the application accounting system on the quality of government financial statements in north Sumatra ?
8. Whether there is the influence of the accountability on the quality of financial report on the government in north Sumatra ?
9. Whether there is the influence of the effectiveness of internal control, commitment of organization, application accounting system, and accountability together on the quality of government financial statements in north Sumatra ?

Purpose of Research

1. The influence of the effectiveness of internal control over the accountability report keuanagan the government in north Sumatra.

2. The influence of commitment organization over the accountability report quality of the government in north Sumatra.
3. The influence of application accounting system over the accountability report quality of the government in north Sumatra.
4. The influence of the effectiveness of internal control, commitment organization and application accounting system together over the accountability report quality of the government in north Sumatra.
5. The influence of the effectiveness of internal control on the quality of government financial statements in north Sumatra.
6. The influence of the commitment of organization on the quality of government financial report in north Sumatra.
7. The influence of the application of an accounting system on the quality of government financial report in north Sumatra.
8. The influence of accountability on the quality of government financial report in north Sumatra.
9. The influence of the effectiveness of the internal control, the commitment of the organization, the application of an accounting system, and accountability jointly on the quality of government financial report in north Sumatra .

THEORETICAL BACKGROUND

According to mulyadi (2008: 165), the effectiveness of the internal control is was a process that are integral to the action of and activities undertaken by is available continuously by the leader and all of the employee to give confidence sufficient over the achievement of the aims the organization through activities that effectively and efficiently, the reliability of financial reporting, security state assets, and the observance of the legislation. Then richard m Steers (1985: 50) commitment of organization was an identification (a sense of confidence in the values of organization), engagements (a willingness to do her best for the sake of the interests of the organization), and loyalty (desire to become heaps of a member of an organization concerned) that is expressed by a clerk against his organization did. The commitment of the organization can be measured by three dimensions, namely the commitment of affective, continuous and normative .

Affairs regulation no 13 years 2006 article 232 juncto affairs regulation number 59 year 2007, that the financial accounting system is a set of procedures from data, recording, until the financial reporting in order to answer budget implementation be made manually or using computer application. But the financial accounting system can be measured by five dimension,

the accounting of cash, the accounting procedures cash outlays, the accounting procedures assets, the accounting procedures in cash, and the presentation of financial reports. And accountability financial statements according to a government regulation no 71 year 2010 about government accounting standards, is structured report on its position financial and transaksi-transaksi done by an entity reporting. And accountability can be measured by dimensions as accountability, the presentation of Reporting and disclosure.

So are strong the effectiveness of an internal control includes the environment control, risk assessment, the activity of control, information and communication, and monitoring and commitment supported by the organization whether affective, continuous and normative and supported by good akuntansi financial system regional accounting acceptance of the cash, the accounting procedures cash outlays, the accounting procedures assets, the accounting procedures in cash, and the presentation of financial statement and higher accountability financial reports on the accountability good, the presentation of, reporting and disclosure so the report quality levels are significantly higher whether relevance report, dependability report, understanding the report and ease in compare report. Indriasari and ertambang, (2008) found that internal control, the organization and an accounting system financing influences accountability the financial report and implied to the quality of financial reports. From the above information hence clear suspect that the effectiveness of internal control, the organization, aplikasi an accounting system and accountability financial statements in simultaneous influenced the quality of financial reports. Based on the above discussion, the conceptual framework is described (See figure 1).

RESEARCH METHOD

Purpose of study from the study is descriptive and verifikatif .Research descriptive is that research aims to obtain a description about variable the effectiveness of control internal, commitment organization, application accounting system, accountability financial report, and quality of financial report. Of the nature of research verifikatif basically want testing the truth of a hypothesis implemented through data collection in the field, where in this research will test influence the effectiveness of control internal, commitment organization, system of accounting over the accountability financial report regional and implications on the quality of financial report on a financial report north sumatra province.

The research method used is descriptive survey and the type of investigation in this research is the causality. The unit of analysis in this study is the individual, i.e., the employees of the Regional Financial Department of North Sumatra Province. Time horizon in this research is crossectional, namely information from most of the population (a sample of respondents)

were collected directly from the location of the empirical basis, with the purpose to find out the opinions of most of the population towards the object being studied. Operational definitions of variables intended to clarify variables are examined, in which the subject matter of the research is:

Internal Control Implementation Effectivity

The effectiveness of control internal is the effectiveness of the in perform the process that are integral to the action of and activities undertaken by is constantly being by the leader of and all of the employee to give confidence sufficient over the achievement of the aims organization through activities that effective and efficient, the reliability of financial reporting, security state assets, and observance of legislation. The effectiveness of control internal measured by five dimensions, namely effectiveness in mengenadalikan environment control, effectiveness in risk assessment, the effectiveness in an activity control, effectiveness in deliver information and communication, and effectiveness of monitoring.

Organizational Commitment

The commitment of organization is think identification (confidence in values organization), engagements (willingness to doing my level best in the interest of organization), and loyalty they want the to remain an a member of an organization concerned) expressed by an employee of to core. Commitment organization is measured using three dimensions, namely affective commitment, continuence commitment and normative commitment.

Accounting System Application

Application accounting system was an application a set of procedures starting from the data collection process, recording, pengikhtisaran, up to financial reporting in order accountability of the budget can be carried out manual or use computer application. Application system accounting measured by five dimensions, namely application accounting revenue cash the accounting procedures the spending of cash, the accounting procedures assets, application of the accounting procedures besides cash , and application presentation of financial report .

Financial Report Accountability

Application accounting system was an application a set of procedures starting from the data collection process, recording, up to financial reporting in order accountability of the budget can be carried out manual or use computer application. Application sisten accounting measured by five dimensions, namely application accounting revenue cash, the accounting procedures the

spending of cash, the accounting procedures assets, application of the accounting procedures besides cash, and application presentation of financial report.

Financial Report Quality

The quality of financial report is normative known that need to be in information accounting so that it can be fulfill its purpose. The quality of report keuangandiukur with four dimensions , namely relevant, reliable, can be compared, and can be understood

Population

Population refer to all groups of people, events, or objects who became interest researchers to research (current, 2010: 262). In this research used as population (unit of analysis) the target was officials skpd from 33 thirty three districts in north sumatra province, that is 25 the local government of kabupaten and 8 the government the area of a city. Based on the number of districts in the province of north sumatra with each district the average has 36 officials SKPD, the number of population from 33 districts in north sumatra province were 900 officials SKPD.

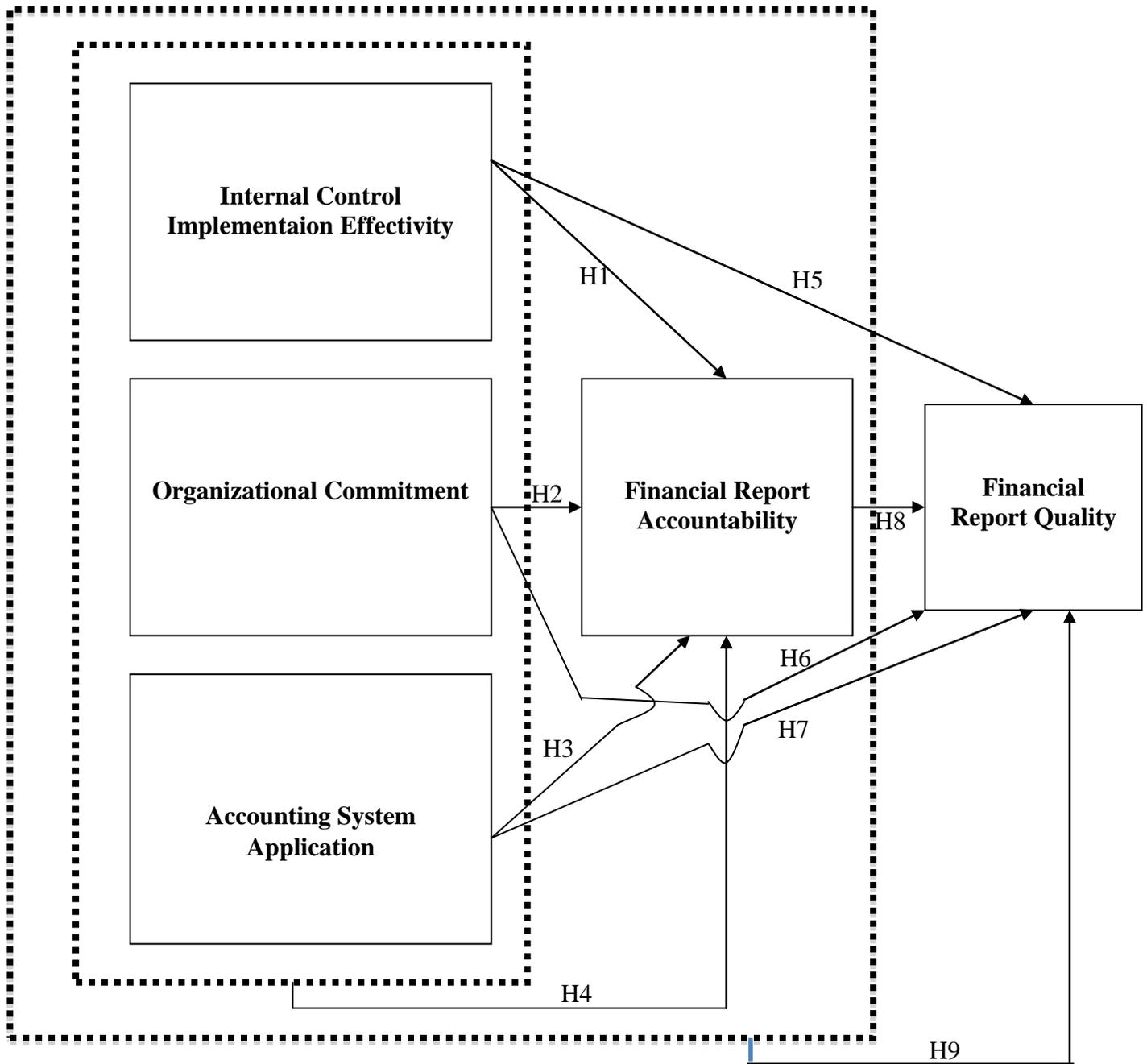
Sampling

The sample size is determined by observing the analysis techniques used in hypothesis testing structural equation models i.e. (Structural Equation Model/SEM). Relating to the rule of thumb in SEM, Hatcher (1994) States that in determining the sample size, there is a minimum ratio of 5 respondents for each parameter in the research, or 10 respondents f, or each 1 parameter, or 15 respondents for each 1 parameters. Based on the rule of thumb in SEM, then in this study used a comparison of 10:1.

Analytical approach

Based on the purpose of this research that is measure the impact of the independent variable (the effectiveness of control inernal, commitment organization, and application of accounting system dependent variable (the quality of financial report), involving variable no intervening (accountability financial report regional), so approach in modeling and technique solution used as an instrument analysis (tools of analysis in dissertation this is by using structural equation a model (SEM). The reasons for the selection this method is its ability in measuring konstruk indirectly, for example through indikator-indikatornya and and analyze variable indicators and variable latent.

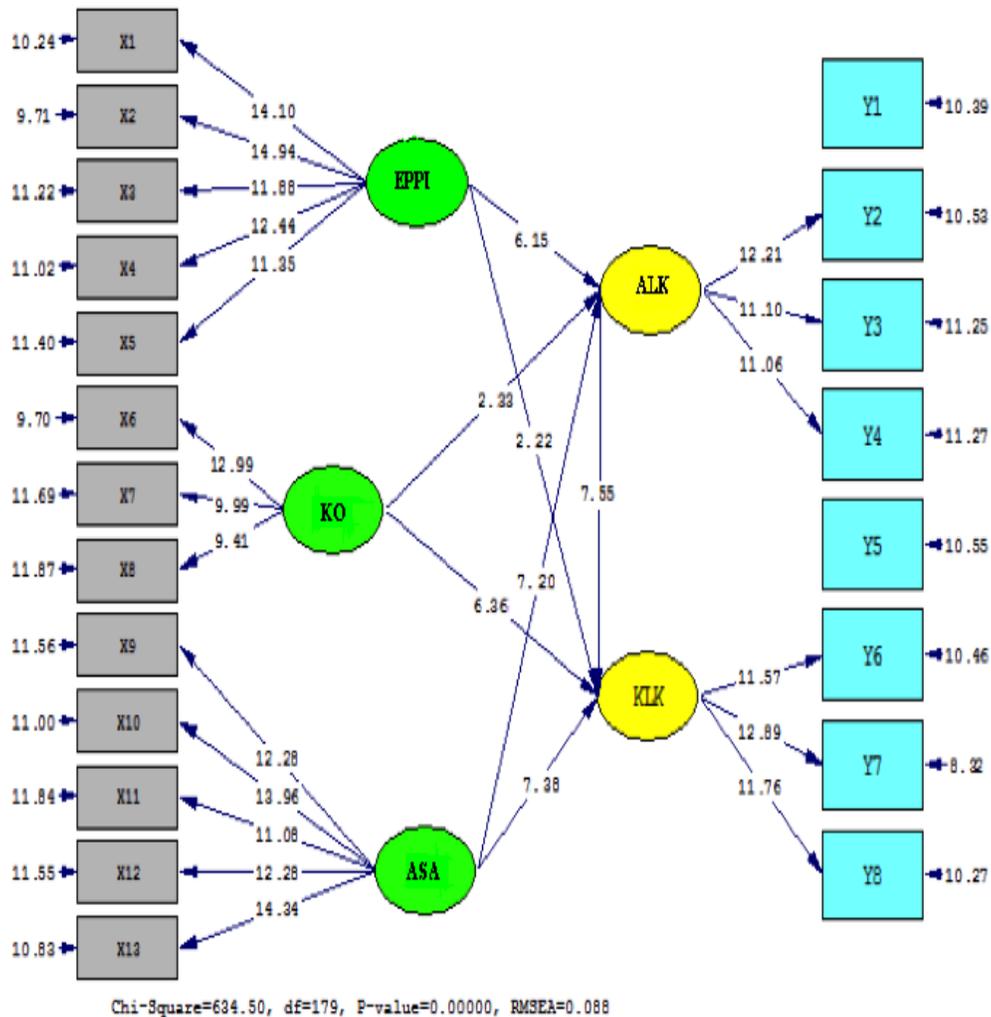
Figure 1. Conceptual Framework



EMPIRICAL RESULTS

Model full of equation shem with on the lisrel 8.70 obtained two models diagram the, namely model standardized and models t-values, each model as can be seen in next figure:

Figure 2. Standardized Model (Second Order)



Notes;

EPPI = Internal Control Implementation Effectivity

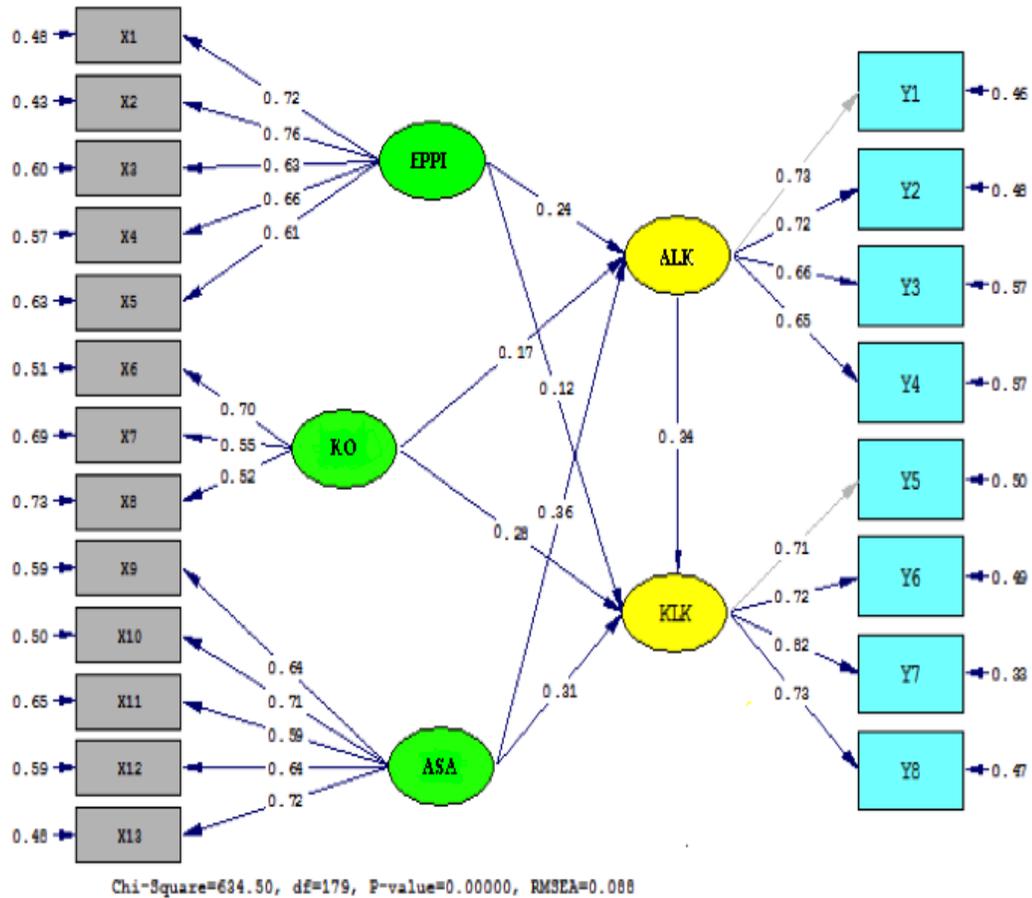
KO = Organizational Commitment

ASA = Accounting System Application

ALK = Financial Report Accountability

KLK = Financial Report Quality

Figure 3. t-value Model



Based on figure 2 and 3 above, these calculations above next be raised testing parameter γ and β (coefficient factor) structural on the model exogenous and endogenous. Testing is aimed to know the influence of one variable latent on variables latent other. Testing parameter γ and β is the regression coefficient standardized test (standardized regression weight) to exogen variable and endogenous as can be seen in table 1 the following.

Table 1. Structural Model Statistical Test

Structure Model			Coefficient		Result
Endogent Variables	Exogent/ Variables	Endogent	Factor (Standardized) R^2	t_{hitung}/ F_{hitung}	
ALK	EPPI		0.24	6.15	Significant (Parcial)
	KO		0.17	2.33	Significant (Parcial)
	ASA		0.36	7.20	Significant (Parcial)
	EPPI, KO, ASA		0.45	99.82	Significant (Simultanoues)
KLK	EPPI		0.12	2.22	Significant (Parcial)
	KO		0.28	6.36	Significant (Parcial)

Structure Model			Coefficient		Result
Endogent Variables	Exogent/ Variables	Endogent	Factor (Standardized)/ R^2	t_{hitung}/ F_{hitung}	
	ASA		0.31	7.38	Significant (Parcial)
	ALK		0.34	7.55	Significant (Parcial)
	EPPI, KA, ASA, ALK		0.75	273.75	Significant (Simultanoues)

Based on the results of testing obtained the conclusion that all hypothesis, namely hypothesis one (H1) until the hypothesis ninth (H9) accepted .As for the result of thing of testing each hypothesis can be seen in table 2 the following :

Table 2. Hypothetical Test Results

Hyp	Description	Result
H1	Is the the effectiveness of internal control over the accountability financial report on the government in north sumatra.	H_0 rejected; H_a accepted
H2	Is the commitment of organization over the accountability financial report on the government in north sumatra.	H_0 rejected; H_a accepted
H3	Is the application accounting system over the accountability financial report on the government in north sumatra.	H_0 rejected; H_a accepted
H4	Is the internal the effectiveness of control, commitment of organization and application accounting system together over the accountability financial report on the government in north sumatra.	H_0 rejected; H_a accepted
H5	Is the the effectiveness of internal control on the quality of financial report on the government in north sumatra.	H_0 rejected; H_a accepted
H6	Is the commitment of organization on the quality of financial report on the government in north sumatra.	H_0 rejected; H_a accepted
H7	Is the application accounting system on the quality of financial report on the government in north sumatra.	H_0 rejected; H_a accepted
H8	Is the accountability financial report on the quality of financial report on the government in north sumatra.	H_0 rejected; H_a accepted
H9	Is the internal the effectiveness of control, commitment of organization, application accounting system, and accountability financial report together on the quality of financial report on the government in north sumatra.	H_0 rejected; H_a accepted

Direct and Indirect Effect

Accountability financial statements (ALK) to variables mediate between the influence of the effectiveness of internal control (EPPI) on the quality of financial statements (KLK) is as much as $0.24 \times 0.34 = 0,0816$ or 8,16 % , while if the direct effect the effectiveness of internal control

(EPPI) on the quality of financial statements (KLK) as much as 0,122 or 0.0144 or 1,44 %, so that indirect effect through alk become larger, so that alk be considered as variable mediating for the influence of EPPI to KLK.

Similarly accountability financial statements (ALK) to variables mediate between the influence of application accounting system (ASA) on the quality of financial statements (KLK) is as much as $0,36 \times 0,34 = 0,1224$ or 12,24 %, while if the direct effect application accounting system (ASA) on the quality of financial statements (KLK) as much as 0,312 or 0.0961 or 9,61 %, so that indirect effect through alk become larger, so that alk be considered as variable mediating for the influence of hope in KLK.

Compared indirect effect between EPPI to KLK through ALK (8,16 %) with indirect effect between hope in KLK through ALK (12,24 %), so that it can be said indirect effect between hope in KLK through alk are more dominant.

Inferences

Based on the results of the above analysis, it can be found as follows: to improve the quality of a financial report dominant formed by dimensions financial report can be compared to the financial report of the previous period or report financial reporting entity other in general (Y7), so to be raised accountability a financial report dominant formed by dimensions pertanggungjawaban presentation of financial report aimed at the general (Y1). Accountability financial report can increase when application accounting system dominant formed by dimensions application presentation of financial statements (X13) is used by exactly .

It means when application presentation of the financial reports used exactly, so financial report can dipertanggungjawabkan, and eventually the quality of financial report can be compared to the financial report of the previous period or report financial reporting entity other in general.

CONCLUSION

1. The effectiveness of internal control has significant influence over the accountability financial report on the government in north sumatra.
2. The commitment of organization has significant influence over the accountability financial report on the government in north sumatra.
3. The application accounting system has significant influence over the accountability financial report on the government in north sumatra.

4. The internal the effectiveness of control, commitment of organization and application accounting system together have significant influence over the accountability financial report on the government in north sumatra.
5. The the effectiveness of internal control has significant influence on the quality of financial report on the government in north sumatra.
6. The commitment of organization has significant influence on the quality of financial report on the government in north sumatra.
7. The application accounting system has significant influence on the quality of financial report on the government in north sumatra.
8. The accountability financial report has significant influence on the quality of financial report on the government in north sumatra.
9. The internal the effectiveness of control, commitment of organization, application accounting system, and accountability financial report together have significant influence on the quality of financial report on the government in north sumatra.

REFERENCES

- Abdul Kadir. 2003. Introduction to Information Systems, Andi, Yogyakarta
- Achmad Bachrudin and Hope L. Tobing, 2003, the Data Analysis For Research Surveys by Using LISREL, Bandung, Science Faculty Padjadjaran University.
- Natural S. 2004. Accounting System, 8.
- Ali Syahril Fuadi Jaya, 2011. Influence of Work Motivation of the Financial Management Function Implementation in the Management of Non-Tax Revenue (non-tax) and Its Impact on Financial Statements On Implementation of Accountability Syiah Kuala University.
- Anwar Nasution. 2007. Improving the Management of State Finance and Local Finance. Jakarta: Indonesian Institute of Accountants Public Sector Accounting Compartment (IAI KASP).
- Arikunto Suharsimi. 2002. Research Procedure (A Practical Approach). Jakarta: Rineka Reserved.
- Arens, Alvin A, 2008. The Auditing and Assurance Services, Jakarta: Erland. Interpretation: Herman Wibowo. Editor: Wibi Hardani, and Suryadi currently.
- State Audit Agency. Ihtisar 2014. Second Semester Examination Results 2013. Jakarta.
- Baiman, 1990. Agency Theory
- Celviana Winidyaningrum, Rahmawati. 2008 Effect of Human Resources and Information Technology Utilization Against timeliness Ketrandalan And Local Government Financial Reporting Internal Control Intervening with Variavel Accounting (Subosukawonosraten Empirical Study on Local Government). Purwokerto: SNA XIII.
- COSO. 2008. Guidance on Monitoring Internal Control System Introduction. Newyork: COSO.
- Chairunnisa Sephi Darwanis, 2013. Performance Accountability of Government Agencies.
- Davis, K. 1999. Human Behavior at Work, Organization Behavior. Singapore: McGraw-Hill Book Co.
- Elvira Zeyn. 2011. Effects of Good Government and the Government Accounting Standards on Financial accountability. Trikonomika Journal, 10 (1): 52-62.

- Faristina Rosalin, Warsito Kawedar. 2011-fakor Influencing factors Reliability and Timeliness Financial Reporting Public Service Agency (BLU Studies in Semarang City) journal. Published.
- Gibson, Ivancevich, Donnelly. 2009. Organizations Structure Behavior Processes. Tenth Edition. McGraw Hill Inc
- Setiyawati day. 2013. The effect of Internal Accountants 'Competence, Managers' Commitment to Organizations and the Implementation of the Internal Control System on the Quality of Financial Reporting. International Journal of Business and Management Invention, ISSN (Online): 2319-8028, ISSN (Print): 2319 - 801X
- Hatcher, L. (1994). A step-by-step approach to using the SAS (R) system for factor analysis and structural equation modeling. Cary, NC: SAS Institute.
- Herath, Tuti, 2014, Effect of Internal Control System on the Quality of Financial Laporan. IHPS, 2013, the development of Opinion LKPD 2008 s.d. In 2012
- IHPS, 2013, the development of Opinion LKPD 2008 s.d. 2012 based on the level of the Government.
- IHPS, First Half of 2014 City and District of North Sumatra province Years 2008-2013.
- Ifa Ratifah and Mochammad Ridwan. Moderating Effect of Organizational Commitment 2012. Regional Financial Accounting System on the Quality of Financial Statements. Trikonomika Volume 11, No. 1, June 2012, p. 29-39 ISSN 1411-514X
- Indonesia Institute of Accountants. 2011. Public Accountants Professional Standards. Jakarta: Four Salemba.
- Indriasari and Ertambang. 2008. Effect of Internal Control, Organizational Commitment and Regional Financial Accounting System Against Financial Accountability Region through quality financial statements as an intervening variable. Indonesian Journal of Economics and Business, Vol. 7, No. 1, p. 97-114
- Ikhsan, A and M, Ishak. 2005. Behavioral Accounting. Salemba Four. Jakarta
- Indra Bastian. 2007. Public Sector Audit Edition 2. Jakarta: Four Salemba.
- I Gede Arya Satya Pratama, Ni Kadek Sinarwati, Anantawikrama Tungga Atmaja, 2014. Effect of Accountability to Education, Continuing Education and Independence Examining the Quality Audit.
- Johnston, R.1995, The determinants of service quality: satisfiers and dissatisfiers, Journal of Service Industry Management, 5, p. 53-57.
- Joreskog, Karl G. and Dag Sörbom. 1988. LISREL 8: User's Reference Guide. Lincolnwood, IL: Scientific Software International, Inc.