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Abstract

This study aims to determine the effects of human resource competence, internal control system, application of government accounting standards, utilization of information technology, and regional financial supervision on the quality of local government financial reports of Gunung Kidul Regency. The population of this study is the Regional Work Units in Gunung Kidul Regency. The sampling method used was purposive sampling where 86 respondents were selected as the research samples. The results of this study indicate that the competence of human resources, internal control system, application of government accounting standards, use of information technology, and regional financial control have proven to have significant and positive effects on the quality of local government financial reports of Gunung Kidul Regency. This result contributes to improving the quality of financial reports of Gunung Kidul Regency Government by upgrading the competence of its employees in accounting and finance, establishing effective internal control system, applying the government accounting standards, maximizing the use of information technology, and performing regional financial supervision.

Introduction

Financial statements are generally to provide information to assist stakeholders in making social, political, and economic decisions to be more appropriate and high quality. Therefore, the information contained in the regional government financial statements must be useful and in accordance with the needs of the users since there are many parties relying on it. Financial statements presented by the regional government are considered good quality if they meet four criteria, namely (1) relevant, (2) reliable, (3) comparable, and (4) understandable (Mahmudi, 2016).

Quality financial statements can provide benefits in efforts to make policies and decisions for the future government. If financial statements benefit the decision making, the acceleration of development and poverty alleviation can be encouraged. According to the Government Regulation No. 8 of 2006 concerning Financial Reporting and Performance of Government Agencies, the definition of financial statements is a form of accountability of a state/regional financial management during a particular period (Pemerintah RI, 2006). To support the production of quality financial statements, competent human resources are needed. Competency encompasses knowledge, skills, and attitude. Human resources competence can be defined as the ability and capacity of a person or individual in an organization or system to carry out his obligations for the achievement of goals effectively and efficiently.

A phenomenon that can be observed in the development of the public sector today is the demand for accountability of public sector organizations, such as central and local governments,

government work units, departments, and state institutions. This is related to public right for transparency and provision of information. Investigating the quality of government financial statements requires an assessment carried out by a competent state institution (Mardiasmo, 2009). The Government has outlined that in accordance with Government Regulation No. 60 of 2008 concerning the Government Internal Control System (SPIP), there are at least two important tasks mandated to the Financial and Development Supervision Agency (BPKP), namely (1) supervise the financial accountability of the state or region, and (2) conduct coaching in the implementation of internal control system (Pemerintah RI, 2008).

The results of the supervision on regional financial accountability by the Financial Planning Agency (BPK) showed that Gunung Kidul Regency Government succeeded in achieving the predicate of Unqualified Opinion for seven consecutive years from 2015 to 2021. Earlier, in two preceding periods, 2013 and 2014, the Regional Government of Gunung Kidul Regency received Qualified Audit Opinion. This shows that there has been an improvement in the quality of financial statements of Gunung Kidul Regency Government for the last seven years from 2015 to 2021.

Research on the factors that affect the quality of local government financial statements has been conducted by several researchers, including Efendi et al. (2017), Setyowati et al. (2016), Triwahyuni et al. (2016), Darmawan and Darwanis (2018), and Rahmawati et al. (2018). Efendi et al. (2017) conducted the research at Central SKPD of Aceh Regency with the independent variables consisting of quality of regional government employees, utilization of information technology, and supervision of regional financial management. Setyowati et al. (2016) conducted research on the factors that affect the quality of financial statements of Semarang City Government with the independent variables involving role of information technology, HR competence, and role of internal auditing. Triwahyuni et al. (2016) conducted research on the factors affecting the quality of regional financial statements of SKPD Dumai City in which the independent variables consisted of government accounting standards application, HR competency, and application of regional financial accounting system. Rahmawati et al. (2018) concluded that the implementation of government accounting standards, use of information technology, and internal control system affected the quality of financial statements of SKPK South Tangerang City.

This research is to examine the factors that influence the success of Gunung Kidul Regency Government in improving its financial reporting from qualified audit opinion in 2013 and 2014 to unqualified audit opinion in 2015 until 2021. The consistency in obtaining the satisfactory audit opinion is inseparable from the important factors that make the report very good compilation and presentation of local government financial performance. Consequently, from 2015 to 2021, the regional government of Gunung Kidul Regency was considered to be able to carry out financial and asset mining correctly, cleanly, and transparently as well as in accordance with the rules. The factors affecting the quality improvement of the financial statements of Gunung Kidul Regency Government which are investigated in this study include human resource competency, internal control system, implementation of government accounting standards, utilization of information technology, and regional financial supervision.

Competent human resources in local government agencies affect the quality of financial statements produced, so the local governments must always improve the quality of their human resources. The second factor that affects the quality of government financial statements is government internal control system. Government Regulation No. 60 of 2008 describes internal control system as an integral process of actions and activities carried out continuously by leaders and all employees to provide adequate confidence to achieve organizational goals through effective and efficient activities, reliability of financial reporting, security of state assets, and compliance with laws and regulations.

Moreover, the third factor that affects the quality of government financial statements is the implementation of government accounting standards (SAP). SAP is a standard that ensures the financial statements to meet the qualifications of financial information which is useful for its users.

Useful information is an indicator that the financial statements meet the qualifications. Quality financial statements are the goal of public sector organizations as a form of accountability for the authority given by public. In addition, financial statements are also a form of government accountability and transparency for every activity conducted in one year (Karsana & Suaryana, 2017). Regional governments are obliged to produce quality financial statements which reflect the orderly financial management of the local governments including administrative order and principle-abiding performances. Therefore, the government financial statements must present the information in accordance with the guidelines established by the Government Accounting Standards, where financial statements should be useful for the users to assess and make decisions on economic, social, and politics.

The fourth factor that is assumed to affect the quality of financial statements is the utilization of information technology. Local government accounting systems have complex transactions which are large in volume. In addition, the local government financial statements must present all available information in order to become quality financial statements. Therefore, the use of information technology will help process the transaction data to produce financial statements which are reliable and free from material errors. The fifth factor which affects the quality of local government financial statements is supervision. Regional financial supervision is carried out to avoid the possibility of misappropriation or deviation of the goals. In addition, supervision is also expected to help implement the policies in order to achieve the goals. Supervision will also result in the activities related to the evaluation on to which extent the duties are performed, the leadership policy is implemented, and the irregularities occur.

This research develops further the research of Rahmawati et al. (2018) on the factors that affect the quality of financial statements of the Local Government Work Unit (SKPD) of South Tangerang City. In addition, the main difference of this study from that of Rahmawati et al. (2018) is that Rahmawati's research only examined three independent variables, namely application of Government Accounting Standards, use of information technology, and internal control systems. Meanwhile, this study observed five independent variables including those used in Rahmawati et al. (2018) and two additional independent variables, namely human resource competence and regional financial supervision.

Literature Review

Stewardship Theory

Stewardship theory is a theory based on behavior and premise (Davis & Donaldson, 1997). This theory states that managers are more concerned with the interests of the organization than individual or personal interests. If the principles of both principal and steward are not the same, the steward will cooperate rather than oppose it. Steward feels that it is common interest in accordance with the principle because it is a rational attempt to achieve the organizational goals. Stewardship theory assumes that steward will directly correspond to the principal or the relationship between the success of an organization and the satisfaction of the owner, but that does not mean that steward does not have needs of life. Steward will maximize and protect the wealth of organization in the form of company performance; thus, the function of the utility will be maximized.

Stewardship theory is one of the new views on how to manage an organization and the personnel involved in it. The concepts of collectivity, partnership, empowerment, and mutual trust and service are the concepts which are developed in this approach (Pasoloran & Rahman, 2001). In the accounting of public sector organization, Stewardship theory is useful in meeting the information needs for the relationship between steward and principal. Government as steward and people as principal create a relationship as human needs other human that can be trusted, responsible, trustworthy, and honest. The government as a party that has more information,

especially in the financial sector, is expected to be transparent to the people in return for the expectation and trust given by the people.

Theory of stewardship is used in this study because it is relevant to explain the existence of local government as an institution that is believed to be able to provide good services for the community, accommodate people aspirations, be financially accountable so that the economic goals can be met and the community welfare can be achieved. The relevance of Stewardship theory to this research variables is that the local government that acts as a steward must provide financial statements as a form of accountability to the people as principal. Therefore, local government financial report must have good quality, so it must be supported by competent human resources, good internal control systems, proper application of government accounting standards, significant use of information technology, and effective regional financial supervision.

Effect of human resource competencies on the quality of local government financial statements

The relationship between government as steward and people as principal is created because of the nature of human that can be trusted, responsible, trustworthy, and honest. The government as a party that has more information, especially in the financial sector, is expected to be transparent to people according to the expectations and trust that have been given by the people. Competent human resources are expected to improve the financial statements in order to meet the criteria of quality financial statements. Thus, human resource competence plays the role in carrying out the duties and functions of an organization to produce quality regional financial reports (Roviyantie, 2011). To perform the functions efficiently and effectively to achieve goals requires competent human resources which are also an important factor for the creation of quality financial statements. In this case, the competence of human resources should be seen as the ability to give best performance as well as to produce good outputs and outcomes. The capacity and quality of human resources in carrying out a function, including accounting, can be assessed from their level of responsibility, position descriptions, and educational background, trainings, and skills to perform the tasks. If the human resources are skillful and experienced, the process of preparing financial statements can be expected to result in good quality financial statements (Sumarni et al., 2016).

Similarly, competent human resources also hold an important role in the process of preparing local government financial statements because they are directly related to the system which requires adequate accounting skills. In addition, they must have the willingness to keep learning to increase the expertise in the field of accounting. The failure in understanding and applying the accounting principles will impact the preparation of financial statements. For example, the report is not in accordance with the standards set by the government thus resulting in poor quality of financial statements (Soimah & Aprilia, 2014). Hence, the better the human resources competency, the better the quality of local government financial statements.

The research conducted by Kiranayanti and Erawati (2016), Sari et al. (2016), Pujanira and Taman (2017), Mahaputra and Putra (2014), Darmawan and Darwanis (2018), as well as Karsana and Suaryana (2017) conclude that human resources competence has a significantly positive effect on the quality of local government financial statements. The higher the quality of human resources, the more improved the quality of information provided in the financial report. Based on the description above, the hypothesis proposed is as follows.

H1: Human resources competency has a positive effect on the quality of local government financial statements.

Effect of internal control systems on the quality of local government financial statements

Internal control system in government agencies is known as a system created to support efforts to provide activities in the government agencies to achieve their goals efficiently and effectively, by

which the state financial management can be reported reliably, state assets can be managed safely, and, of course, compliance with laws and regulations can be encouraged (Mulyani & Suryawati, 2013). The implementation of internal control system and government accounting standards requires the commitment and active role of regional leaders at every level and organization. The research results of Karsana and Suaryana (2017), Sumarni et al. (2016), Kiranayanti and Erawati (2016), and Surastiani and Handayani (2015) state that internal control system has a significant and positive influence on the quality of regional financial statements. This provides adequate confidence, which is reflected in the quality of financial statements. The better the internal control system, the better the financial statements. Based on the above description, the second hypothesis is formulated as follows.

H2: Internal control system positively affects the quality of local government financial statements.

Effect of the application of government accounting standards on the quality of local government financial statements

Government Accounting Standards are accounting principles applied in the process of compilation and presentation of government financial statements. Its application must refer to the Government Regulation No. 71 of 2010 concerning Government Accounting Standards (Pemerintah RI, 2010a). The standards are to ensure that the information in the financial statements meet the qualifications of useful financial information for the users. Quality financial statements are the goal of public sector organizations as a form of their accountability for the given authority. In addition to the form of accountability, financial statements are also a form of government responsibility and transparency for its activities in the last one year (Karsana & Suaryana, 2017). Regional governments are obliged to submit the quality financial statements which reflect the orderly financial management of the local governments including administrative order and principle-binding performances. The information revealed in the government financial statements must be in accordance with the guidelines established by the Government Accounting Standards, where the information is useful to assess the accounting management and to make economic, social, and political decisions.

Triwahyuni et al. (2016) shows that the implementation of Government Accounting Standards has a significant and positive effect on the quality of regional financial statements. They argue that in the accounting process and financial reporting, the government must impose the institutions and agencies under its auspices to refer to the established accounting standards in their own institutional accounting reporting standard. Based on the description above, the third hypothesis is formulated as follows.

H3: The application of government accounting standards has a positive effect on the quality of local government financial statements.

Effect of information technology use on the quality of local government financial statements

The use of information technology in accounting can improve the quality, speed, and accuracy of the data presented in financial statements thus increase the satisfaction of financial statement users (Sukmaningrum & Harto, 2011). The use of other technologies including computer technology and communication technology can speed up the data processing and increase accuracy in calculation which can lead to timely reporting. The Government Regulation No. 65 of 2010 on Regional Financial Information Systems mentions that the development process should apply good governance. The central and local governments are obliged to develop and utilize advanced information technology to improve their financial management and convey the financial information to public (Pemerintah RI, 2010b). Information technology must be optimally used to build a network of management information system so as to enable an integrated government work processes with simplification of access between work units.

A study by Akhmad et al. (2018) concludes that there is a significant influence of the use of information technology on the quality of regional financial statements. The implementation of information technology can be optimum if the quantity and quality are good, and there are supporting facilities needed such as networks and software. Likewise, the previous research conducted by Efendi et al. (2017) states that the use of information technology has a significant influence on the quality of regional financial statements. Darmawan and Darwanis (2018) as well as Kurniawati et al. (2018) state that information technology can help the government employees in composing the government financial statements and facilitating the processing and storing of the financial data systematically. Therefore, the formulated fourth hypothesis of this research will be as follows.

H4: Utilization of information technology has a positive effect on the quality of local government financial statements.

Effect of regional financial supervision on the quality of local government financial statements

Good financial oversight will help the local government achieve its objectives by the application of a systematic and disciplined approach to evaluate and improve the effectiveness of its risk management and financial management processes. The main purpose of supervision is basically to compare what happened with what is expected to happen in order to achieve a certain goal. The objective of regional financial supervision is to ensure (1) the funding of all components of regional finances, (2) the compliance with various rules related to regional financial management, and (3) the implementation of effective and efficient regional financial management. The supervision of local government financial management is carried out internally by internal supervision department and externally by external supervisory agencies, such as Financial Examination Agency. The preparation of government accounting system must be organized in such a way that allows an inspection by external supervisory apparatus and provides the information needed for examination (Dewayanto, 2018).

Efendi et al. (2017) prove that good regional financial supervision will be useful to determine whether irregularities occur or not. Supervision is also intended to take the necessary remedial actions to ensure that the resources of local government are used as effectively and efficiently as possible to achieve the government objectives. This result is in line with Dewayanto (2018) which states that regional financial supervision has a positive effect on the quality of regional financial statements. Therefore, the fifth hypothesis is formulated as follows.

H5: Regional financial supervision positively affects the quality of regional financial statements.

Research Method

Population and Sample

The population of this study is 213 employees of Village Government Work Units of Gunung Kidul Regency which include agencies, offices, sub-districts, and finance and accounting department of regional secretariate. The sampling technique used in this study was purposive sampling with the criteria: (1) working as head or staff of accounting or financial management department, and (2) managing accounting and/or financial administration and involved in the process of preparing financial statements in their SKPD.

In this study, the minimum sample was determined based on Slovin formula as follows.

$$n = N / (1 + N e^2)$$

$$n = 213 / (1 + 213 \times 0.1^2)$$

$$n = 68$$

where:

n : sample size

N: population size

e : margin of error

Based on the Slovin formula, the minimum sample was 68.

Definitions and Measurement of Research Variables

The dependent variable of this study is local government financial statements, and the independent variables include human resources competency, internal control system, application of government accounting standards, utilization of information technology, and regional financial supervision

Quality of Local Government Financial Statements

According to the Government Regulation No. 71 of 2010 concerning Government Accounting Standards, the quality standards of financial statements are the normative measures which are required in the preparation of accounting information in the financial statements to meet the goals (Pemerintah RI, 2010). The number of items to measure the quality of local government financial statements was twelve as the reflective elaboration of four indicators, namely relevant, reliable, comparable, and understandable.

Human Resources Competency

Human resources are an important factor in the composition of quality financial statements. Human resources capacity underlies a person's achievement of good performance in his work. Human resources have capabilities to plan, implement, and control. There were three indicators, namely behavior, skills, and knowledge, to assess the variable of human resources competency which are elaborated into ten questions.

Internal Control System

Government Internal Control System according to Law No. 60 of 2008 is an integral process carried out continuously by the leadership and all employees to provide adequate confidence for the achievement of organizational goals through effective and efficient activities, reliable financial reporting of state assets, and compliant conducts with the laws and regulations (Pemerintah RI, 2008). The measurement of internal control system variable in this study employed four indicators, namely environment control, risk assessment, activities and information control, and communication consisting of sixteen items.

Application of Government Accounting Standards

Government Accounting Standards as stated in the Government Regulation no.71 of 2010 are the standards regulating the accounting process which includes arranging and presenting financial statements which are accrual-based (Pemerintah RI, 2010). The measurement of application of government accounting standards involved twelve indicators including PSAP No. 01 on Presentation of Financial Statements, PSAP No.02 on Cash-Based Budget Realization Report, PSAP No. 03 on Cash Flow Statements, PSAP No. 04 on Notes on Financial Statements, PSAP No. 05 on Inventory Accounting, PSAP No. 06 on Investment Accounting, PSAP No. 07 on Fixed Assets Accounting, PSAP No. 08 on Construction Accounting, PSAP No. 09 on Liability Accounting, PSAP No. 10 on Correction of Errors, PSAP No. 11 on Consolidated Financial Statements, and PSAP No. 12 on Operational Reports.

Utilization of Information Technology

The utilization of information technology refers to developing and using information technology to improve the transaction processing and accuracy which will result in improving the quality of financial statements. The use of information technology includes data processing, information processing,

management systems and electronic work processing, and using advanced information technology to make public services more accessible. In this research there were five items to measure information technology utilization, namely SAP-based accounting systems, computer availability to support work, internet network availability in the work units, availability of computerized financial statements, and availability of software in accordance with laws and regulations.

Regional Financial Supervision

According to the Minister of Home Affairs Regulation No. 51 of 2010, regional financial supervision is a process of activities aimed at ensuring that local governments run effectively and efficiently in accordance with the plans and provisions of laws and regulations (Menteri Dalam Negeri, 2010). The supervision is basically directed to avoid the possibility of abuse or deviation so that immediate action or correction can be taken. This is also to ensure that the regional financial reporting runs optimally and the goals can be achieved. The measurement of regional financial supervision variable involved six indicators, namely regular supervision by regional supervisory bodies or regional inspectorates, preventive supervision, repressive supervision, regional financial management development, and evaluation on future improvement and regional budget in accordance with laws and regulations.

Data Analysis Method

The method used to test the research hypotheses was multiple linear regression with the equation as follows.

$$\text{QUALITY} = a + b_1\text{HR} + b_2\text{ICS} + b_3\text{SAP} + b_4\text{IT} + b_5\text{SUPERV} + e$$

where:

QUALITY = Quality of local government financial statements

a = Constant

b = Regression coefficient

HR = Human resource compentension

ICS = Internal control system

SAP = Application of government accounting standards

IT = Utilization of information technology

SUPERV = Regional financial supervision

e = Error

Results and Discussion

Data Collection Results

The questionnaires were distributed to the respondents who were the employees of Regional Government Work Unit of Gunung Kidul Regency using google form. The number of collected questionnaires which could be processed was 86 that exceeded the required minimum samples of 68 as calculated by Slovin formula. The demographic characteristics of respondents in this study are based on Regional Government work unit, gender, age, length of work, and recent education. Table 1 presents the characteristics of respondents based on Regional Government Work Unit of Gunung Kidul Regency.

Table 1 shows that 86 respondents were employees in the accounting and finance department spread across 15 Regional Government Work Unit of Gunung Kidul Regency. The characteristics of respondents based on gender, age, length of work, and the last level of education are presented in Table 2.

Table 1. Characteristics of Respondents Based on Regional Government Work Unit (*SKPD*)

No	Regional Government Work Unit	Number of Respondents	Percentage (%)
1	Regional Development Planning Agency	6	7
2	Regional Finance and Assets Agency	7	8.1
3	Government Tourism Office	4	4.7
4	Department of Agriculture and Food	7	8.1
5	Department of Manpower and Transmigration	7	8.1
6	Department of Population and Civil Registration	4	4.7
7	Department of Communication and Informatics	6	7
8	Departement of Social	7	8.1
9	Department of Industry and Commerce	7	8.1
10	Department of Culture	4	4.7
11	Deperntment of environmental	7	8.1
12	Department of Land and Spatial Planning	5	5.8
13	Department of Cooperatives, Small and Medium Enterprises	4	4.7
14	Department of Investment and Integrated Services	7	8.1
15	Department of Health	4	4.7
	Total	86	100

Source: data processing results

Table 2. Demography Characteristics of Respondents

Demography Characterictis		Number of Participants	Percentage (%)
Gender	Male	32	32
	Female	54	54
Age	<25	15	17.4
	26- 35	20	23.3
	36 – 45	24	27.9
	> 45	27	31.4
Length of work	1 – 5	18	20.9
	6 – 10	32	37.2
	>10	36	41.9
Education	Senior High School	13	15.1
	Diploma	12	14
	Bachelor (S1)	51	59.3
	Master (S2)	10	11.6

Source: data processing results

Table 2 shows that most respondents in this study are female, namely 54 people (54%) and the remaining 32 people (32%) are male. A total of 27 respondents (31.4%) were over 45 years old, 24 respondents (27.9%) were between 36-45 years old, 20 respondents (23.3%) were between 26-35 years old, and the remaining 15 respondents (17.4%) were less than 25 years old. Furthermore, a total of 36 respondents (41.9%) have more than 10 years of working experience, 32 respondents (37.2%) have between 6-10 years of work experience, and the remaining 18 respondents (20.9%) have work experience between 1-5 years. Most respondents or as many as 51 people (59.3%) have the last level of education Bachelor (S1). The next respondent's education level sequence was 13 respondents (15.1%) who graduated from high school, 12 respondents (14.0%) passed a Diploma, and 10 respondents (11.65) passed a Master's. This data indicates that most of the accounting and finance department employees at Regional Government Work Unit of Gunung Kidul Regency already have long work experience with the last level of education that is high enough so that it will improve the quality of financial statements produced by the Gunung Kidul Regency government.

Data Validity and Reliability Test

The validity of data in this research was measured using Pearson correlation test on all of the items of the research variables. The significance values of all items were 0.000 indicating that the data were valid. The reliability test were performed using Cronbach Alpha statistical test. The results showed that all research variables had the Cronbach Alpha values more than 0.70 which indicated all variables were reliable and could be further analysed.

Descriptive Statistics

Descriptive statistical analysis in this study was used to describe the research variables, namely human resource competence, internal control system, application of government accounting standards, utilization of information technology, regional financial supervision, and quality of local government financial statements. The descriptive statistics covered minimum, maximum, mean and standard deviation values as presented in Table 3.

Tabel 3. Descriptive Statistical Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation	Category
HR	86	01.10	4	03.20	.571	High
ICS	86	01.44	4	03.25	.543	High
SAP	86	01.50	4	03.13	.547	High
IT	86	01.33	4	03.19	.593	High
SUPERV	86	01.50	4	03.03	.543	High
QUALITY	86	01.50	4	03.17	.480	High

Source: data processing results

According to Dewi and Merkusiwati (2017), the range of score category is obtained from maximum value minus minimum value. After deducted, the result was divided by three. The shared result was then added with the minimum value, so the final result is the maximum value. Based on the formula, the range of categories of the research variables is presented in Table 4.

Table 4. Variable Score Categories

Variabel	Category Range		
	Low	Medium	High
HR	1.10 - 2.06	2.07 - 2.70	2.71 - 4
ICS	1.44 - 2.30	2.31 - 2.87	2.88 - 4
SAP	1.50 - 2.33	2.34 - 2.88	2.89 - 4
IT	1.33 - 2.22	2.23 - 2.81	2.82 - 4
SUPERV	1.50 - 2.33	2.34 - 2.88	2.89 - 4
QUALITY	1.50 - 2.33	2.34 - 2.88	2.89 - 4

Source: data processing results

Table 3 and Table 4 show that all research variables have the mean values that fall into category 'high'. Human resource competency (HR) has the mean value of 3.20 which is categorized high. Thus, it can be concluded that the Regional Government Work Unit of Gunung Kidul Regency has excellent human resource competency. Internal control system (ICS) has the mean value of 3.25 which is assumed as high category, so it can be concluded that the Regional Government Work Unit of Gunung Kidul Regency has an excellent internal control system. Application of government accounting standards (SAP) variable has the mean value of 3.13 which is categorized as high and concludes that the Regional Government Work Unit of Gunung Kidul Regency has an excellent application of government accounting standards. Similarly, information technology utilization (IT) scores the mean value of 3.19 which falls into category 'high'. Therefore,

it can be concluded that the Regional Government Work Unit of Gunung Kidul Regency has an excellent utilization of information technology. Regional financial supervision variable (SUPERV) shows the mean value of 3.03 which is grouped into category 'high', thus, it can be concluded that the Regional Government Work Unit of Gunung Kidul Regency has an excellent regional financial supervision. The last, the mean value of the quality of regional financial statements (QUALITY) is 3.17 which is assumed as high and means that the Regional Government Work Unit in Gunung Kidul Regency has an excellent quality of local government financial statements.

Data Quality Test

Data quality tests include validity tests and reliability tests. The result of the validity test using Pearson Correlation showed that all instruments had correlation coefficient values of above 0.5 with the significance values of less than 0.05. This means that all items of the questionnaire were valid and could be used as the indicators of variables. The reliability test using Cronbach Alpha showed that all variables had the Cronbach Alpha values of greater than 0.6 which means that each item of the questionnaire had a good level of reliability and could be used as a research instrument.

Classic Assumption Test

Classic assumption tests include normality test, multicollinearity test, and heteroskedasticity test. The normality test used Kolmogorov-Smirnov one-sample test which showed the value of Asymp. Sig. (2-tailed) of 0.677. This indicates that the data were normally distributed. Multicollinearity test is used to find out if there is correlation between independent variables in regression model. The result of multicollinearity test showed the tolerance value of all independent variables was more than 0.1 with VIF value of all independent variables less than 10. Those conclude that there was no multicollinearity between independent variables.

Heteroskedasticity test is used to detect whether the variance of the errors from a regression is dependent on the values of the independent variables. In other words, it is to check if the residuals of a regression have changing variance since it is assumed that errors are independent and identically distributed. To test the presence of heteroskedasticity, Glycer test was employed, and the result showed that the values of Sig. of all independent variables were greater than 5% (0.05). This means that there was no heteroskedasticity in the regression model.

Hypothesis Test

Hypothesis testing in this study used multiple linear regression analysis. Multiple linear regression analysis aims to test the influence of two or more independent variables on one dependent variable and also shows the direction of the relationship between a dependent variable and an independent variable. Table 5 presents the results of the multiple linear regression test.

Table 5. Results of The Multiple Linear Regression Test

Variables	Predictions	Coefficient Value	T statistics	sig.
HR	(+)	0.203	2.576	0.012*
ICS	(+)	0.125	2.926	0.004*
SAP	(+)	0.192	4.404	0.000*
IT	(+)	0.439	3.979	0.000*
SUPERV	(+)	0.317	3.184	0.002*

F-statistic = 77.608

Prob (F-statistic) = 0.000

Adjusted R² = 0.818

*Significant at 0.05

Source: data processing results

Table 5 demonstrates that all five hypotheses are supported because the regression coefficients of the five independent variables have the directions in accordance with the assumptions with the sig. values less than 5%. Adjusted R2 value of 0.818 indicates that 81.8% of the variance of the dependent variable, which is the quality of financial statements of Gunung Kidul regional government, can be explained by the independent variables consisting of human resource competency, internal control system, application of government accounting standards, utilization of information technology, and financial supervision of the local government. The remaining 18.2% of the variation is explained by other variables that were not included in the research model.

Discussion

Effect of human resource competency on the quality of local government financial statements

The results of this study show that human resource competence proves to have a significant and positive effect on the quality of the financial statements of the regional government of Gunung Kidul Regency. This result is supported by the regression coefficient value of the HR competency variable (HR) of 0.203 with the significance value of 0.012, so H1 is supported. This research result is in line with the research results of Lasmara and Rahayu (2016), Pujanira and Taman (2017), as well as Mahaputra and Putra (2014) which conclude that human resource competence has a significantly positive effect on the quality of local government financial statements. High quality human resources will help improve the quality of information presented in financial report.

Based on the data of respondents' characteristics, 59.3% of the respondents had undergraduate education background. The level of education is one of the supporting factors of human resources competence in carrying out and completing their work. The employees with good knowledge, skills, and attitude, especially in the field of accounting, will be able to implement their functions and authorities to achieve goals efficiently and effectively. Therefore, human resources with high competence in the field of accounting are very useful to help provide reliable financial statements.

The result is in line with Stewardship theory which explains that there are principal and steward who work together to improve the quality in accordance with what they want. Government as steward and people as principal is a relationship which is created due to the human nature of being able to be trusted, responsible, and having integrity and honesty to others. The government as a party that has more information, especially in the financial sector, is expected to be more transparent in accordance with the expectations and trusts given by the people. High quality human resources will improve the quality of financial statements. Thus, the competence of human resources is paramount to produce the quality regional financial statements (Roviyantie, 2011).

The effect of internal control systems on the quality of local government financial statements

The result of this study proves that internal control system has a significant and positive effect on the quality of the financial statements of Gunung Kidul Regency government. The data analysis demonstrated the regression coefficient value of 0.125 with the significance value of 0.004, so H2 is supported. This research is in line with the research conducted by Karsana and Suaryana (2017), Sumarni et al. (2016), Kiranayanti and Erawati (2016), as well as Surastiani and Handayani (2015) which argue that internal control system has a significantly positive influence on the quality of regional financial statements.

The result of this study is in line with Stewardship theory which mentions that there is no individual desire and motivation which attach the importance to individual goal since internal control system leads to organizational goals and not to individual purposes. The implementation of government internal control system is designed to provide adequate assurance or confidence in

the achievement of organizational goals through effective and efficient activities thus protect the organization from human weaknesses, reduce the errors and deviations that might occur, so the information generated from financial statements can meet the required characteristics of good financial statements.

Effect of the application of government accounting standards on the quality of local government financial statements

The result of this study shows that the application of government accounting standards has a positive effect on the quality of local government financial statements. This result indicated the regression coefficient value of 0.192 with the significance value of 0.000 which implies that H3 is supported. This is in accordance with the research conducted by Triwahyuni et al. (2016) and Hasanah (2016) which show that the implementation of government accounting standards has a positive effect on the quality of regional financial statements.

This research is in line with Stewardship theory where the government (steward) is in charge of presenting financial statement information well in order to be useful for the users of information (principal). Therefore, the application of government accounting standards plays an important role in this matter. The establishment of good government accounting standards can improve the quality of regional financial statements to meet the characteristics of good financial statements that include relevant, reliable, understandable, and comparable information. The better the application of government accounting standards, the better the financial statements are because all the transactions reported in the financial statements are in accordance with the applicable regulations and presented honestly and completely. The implementation of government accounting standards is expected to reduce errors and fraud in the regional financial management which later results in an improved quality of regional government financial statements.

Effect of the use of information technology on the quality of local government financial statements

This study proves that the use of information technology has a positive effect on the quality of local government financial statements. The result of this study shows the regression coefficient value of information technology utilization variable (IT) as much as 0.439 with the significance value of 0.000 which implies that H4 is supported. This is in accordance with the research conducted by Sari et al. (2016) and Efendi et al. (2017) which state that the use of information technology has a significant influence on the quality of regional financial statements. This research is also supported by the research conducted by Kurniawati et al. (2018) which reveals that information technology can help government employees compose government reports and facilitate the systematic financial data processing and storing.

The effective use of information technology for accounting can help produce more reliable financial statements and satisfy the users due to the quality, speed, and accuracy of the data contained in the financial statements (Sukmaningrum & Harto, 2011). The use of other technologies is also useful to help agencies to carry out tasks easily and quickly. Therefore, the financial management information that includes computer technology and communication technology can accelerate the process of processing transactional data, reduce inaccuracies, and produce timely reports.

Effect of regional financial supervision on the quality of local government financial statements

This study has revealed that regional financial supervision has a significant and positive effect on the quality of financial statements of the regional government of Gunung Kidul Regency. The regression coefficient value of regional financial supervision variable (SUPERV) is 0.317 with the significance value of 0.002, so H5 is supported. This result is in agreement with Dewayanto (2018)

which argues that regional financial supervision has a positive effect on the quality of regional financial statements. This is also in line with the research conducted by Efendi et al. (2017) which states that good regional financial supervision will identify whether there are irregularities or not. Supervision is also intended to take the necessary remedial actions to ensure that the resources in local governments are used as effectively and efficiently as possible to achieve the government objectives.

Regional financial supervision conducted by the Inspectorate can help prepare and present quality government financial statements. Before presented, the financial statements will be reviewed to assess whether or not they are in accordance with the applicable government accounting standards. The inputs given by the inspectorate as the regional financial supervisor will lead to the realization of SAP-compliant report so as to improve the quality of local government financial statements. The supervision ensures the reporting system run according to plan and produce quality financial statements. Therefore, supervision is highly required in the management of regional budget (Fikri, 2011). Armando (2013) mentions that the better the financial supervision, the better the value of information generated. Supervision is also able to assist the government in the efforts of achieving the goals effectively and efficiently.

This result agrees with Stewardship theory that indicates the strong relationship between supervision and organizational success. The local government as steward has a responsibility to present quality financial statements in order to assist the principal in making decisions. Regional financial supervision will help achieve the government goals by applying a systematic and disciplined approach to evaluate and improve the effectiveness of government risk management and management processes.

Conclusion

Based on the analysis and discussion of this research, it can be concluded that human resource competency, internal control system, application of government accounting standards, utilization of information technology and regional financial supervision prove to have significant and positive effects on the quality of financial statements of the regional government of Gunung Kidul Regency. This implies that the more qualified the competence of human resources, internal control system, application of government accounting standards, use of information technology, and regional financial supervision, the better the quality of regional government financial statements, and vice versa.

The results of this study have an implication for Gunung Kidul Regency Government to improve the quality of its financial statements to meet the required characteristics of quality financial statements which are relevant, reliable, understandable, and comparable by improving the competence of its employees, especially in the field of accounting and finance, establishing effective internal control system, improving the compliance with the government accounting standards, maximizing the use of information technology, and conducting regional financial supervision.

The limitation of this research is that it only examines the factors that affect the quality of financial reports of Gunung Kidul Regency government; hence, it has the limited level of generalization. Therefore, it is recommended that future research can improve and develop this research by (1) examining the factors that affect the quality of local government financial statements in Yogyakarta City and other regencies in Yogyakarta Special Region Province, or (2) reviewing the factors that affect the quality of local government financial statements at the provincial level.

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