

# **The Effect Of The Application Of Government Accounting Standards, Internal Control Systems, Human Resource Competence On The Quality Of Local Government Financial Statements (Study On Regional Apparatus Organization In West Seram District)**

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## **ABSTRACT**

*This research shows that empirically the effect of the application of government accounting standards, government internal control systems, and the quality of human resources on the quality of local government financial statements. The population in this study is the organization of regional apparatus within the Local Government of West Seram Regency. The samples in this study are the Head, Secretary and Staff of the Sub Division of Finance Organization in the Local Government of West Seram Regency. The research method used is quantitative research method. Data were obtained through questionnaires and measured using multiple linear regression analysis, which was processed through IBM SPSS Statistics 26 software.*

*The results of this study based on a partial test (Test – t) show that (1) the application of Government Accounting Standards does not have a positive effect on the quality of Local Government Financial Statements, with a significant probability value -  $0.41 < 0.05$ , (2) the implementation of the Government Internal Control System has a positive effect on the quality of Local Government Financial Statements, with a significant probability value of  $0.196 > 0.05$ , (3) Human Resource Competence has a positive effect on quality of Local Government Financial Statements with significant probability values of  $0.672 > 0.05$ . Meanwhile, in the simultaneous test (Test – f) this result was proven based on a multiple liner regression analysis test, namely simultaneously on the Quality of the Financial Statements of the Regional Government of West Seram Regency, the calculated F value was 23.513, which was greater than the F table, which was 1.701.*

**Keywords:** *Quality of Financial Statements, Government Accounting Standards, Government Internal Control System, Quality of Human Resources.*

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## **I. INTRODUCTION**

Government organizations are institutions that run the wheels of government whose source of legitimacy comes from the community. Therefore, the public expects governance that is in accordance with the principles of good governance, and clean from corruption, collusion, and nepotism (KKN). In Indonesia, in accordance with the spirit of reform, the demand to realize good governance has developed into an important issue in governance. The realization of good governance is characterized by three main pillars which are the

basic elements that are interrelated. The three basic elements are participation, transparency and accountability. One of the concrete efforts to show transparency and accountability of state and regional financial management is the submission of government financial accountability reports in accordance with timely principles and prepared by following generally accepted government accounting standards (Leiwakabessy, 2020: 1).

Based on Government Regulation Number 71 of 2010 concerning Government Accounting Standards, Local Governments are considered one of the reporting entities, namely government units consisting of one or more accounting entities which according to the provisions of laws and regulations are required to present accountability reports, in the form of general-purpose financial statements. Government financial statements consist of budgetary reports, financial reports, and CaLK. The budget implementation report consists of the Budget Realization Report (LRA) and the Excess Budget Balance Change Report (SAL). Financial statements consist of Balance Sheet, Operational Statement, Report of Changes in Equity, and Statement of Cash Flows.

One of the factors that affect the timeliness of financial reporting is organizational commitment. Organizational commitment as a psychological state with characteristics, belief and acceptance of the goals and values possessed by the organization, willingness to strive earnestly for the organization and have a strong desire to remain a member of the organization. Employees who have organizational commitment will work dedicatedly because they consider that the achievement of organizational goals is important (Allen et al., 1993).

Government Regulation No. 60 of 2008 concerning the Government Internal Control System which explains that SPIP is an Internal Control System that is held thoroughly within the central and local governments. In this regard, Presedian as the Head of Government regulates and organizes the internal control system within the government as a whole. Meanwhile, the Minister of Finance as the State General Treasurer organizes an internal control system in the field of their respective governments, in the Governor / Regent / Mayor. As the holder of regional financial management power, further regulate and organize the internal control system within the local government he leads. (Nurwani, 2018).

**Table 1.1**  
**List of BPK RI Opinions on LKPD of Seram Regency in the Western Part of Maluku Province**

Entitas Pemerintah Daerah	tTahun		
	2019	2020	2021
Kabupaten Seram Bagian Barat	WDP	WDP	TMP

Source: IHPS1 BPK RI Secondary Data, 2022

Based on IHPS data from the First Semester of BPK RI in 2022, West Seram Regency in the process of examining local government performance reports, there are findings that become problems in the presentation of regional financial statements. These problems that affect the fairness of the presentation of LKPD West Seram Regency include;

1. Current assets

First, the cash balance in the Expenditure Treasurer has not been recovered by depositing into the regional treasury and/or has not been accounted for. Second, Cash is used for activities that are not in accordance with its designation and / or not in accordance with the provisions of laws and regulations. Third, rural and urban land and building tax receivables (PBB P2) have not been and/or are invalid, and verification and validation have not been completed.

2. Fixed Assets

First, the recording of fixed assets of land, equipment and machinery, buildings and buildings, and roads, irrigation and networks has not been carried out or is inaccurate. Second, the presentation of fixed assets is not supported/equipped with a detailed list of assets, proof of ownership, and identity of goods, and fixed assets are not known to exist. Third, Renovation, rehabilitation, and other costs after the acquisition of fixed assets have not been capitalized to their parent fixed assets. Fourth, the presentation of construction in the works is not based on the minutes of the assessment of the physical progress of the work.

3. Operating Expenses

First, the realization of goods and services expenditures consisting of official travel expenditures, consumable goods expenditures, office services, and maintenance expenditures are not in accordance with the provisions and/or are not supported by evidence of liability. Second, the realization of social assistance spending is not on target and is not supported by adequate accountability. Third, Overpayment on the realization of goods and services expenditures, has not been recovered by depositing into the caste. Fourth, the realization of

employee spending has not been supported by adequate evidence of accountability and the income tax deduction has not been deposited into the State treasury.

#### 4. Capital Expenditure

First, the overpayment of capital expenditure that occurred due to lack of work volume, non-conformity of work specifications, work not carried out, payment exceeding work performance, and indications of expensive prices, has not been recovered by depositing into the regional treasury. Second, the realization of land capital expenditure on land compensation is carried out not in accordance with the provisions. Third, the realization of JJJ's capital expenditure for debt payment was not supported by testing the conformity of the specification of work results and was realized beyond budget. Fourth, the realization of capital expenditure exceeds physical realization and is not supported by a valid work contract and the goods from procurement have not been received by the local government.

Based on IHPS data from Semester I of BPK RI in 2022, the West Seram Regency Government in the process of examining local government performance reports has findings that are problematic in the weakness of the internal control system. These problems that affect the fairness of the presentation of LKPD West Seram Regency include;

##### 1. Weaknesses of the Accounting and Reporting Control System

First, record keeping has not been done or is inaccurate. Second, the process of preparing financial statements is not in accordance with the provisions. Third, the accounting and reporting system is inadequate.

##### 2. Weaknesses of the APBD Implementation Control System

First, activity planning is inadequate. Second, deviations from regulations on income and expenditure. Third, improper policy implementation increases cost increases.

##### 3. Weaknesses of the Internal Control Structure

First, SOPs/policies/regulations have not been prepared/are incomplete. Second, SOPs/policies/regulations have not run optimally or are not adhered to. Third, the internal supervisory unit is not optimal. Fourth, there is no adequate separation of duties and functions.

Friday, May 12, 2023. The Maluku Provincial Representative BPK submitted the Examination Results Report (LHP) for Fiscal Year 2022 to four entities at the Auditorium of the Maluku Provincial BPK Representative Office. The LHP for Fiscal Year 2022 was handed over by the Head of BPK Representative of Maluku Province, Hery Purwanto, S.E., M.M., Ak., CA, CSFA, to the Chairmen of the DPRD, Regents, and Deputy Mayors representing four entities, namely Tual City, Buru Regency, Southeast Maluku Regency, and West Seram Regency. In the submission of the FY 2022 LHP LKPD to four entities, BPK gave an Unqualified Opinion (WTP) conclusion to Southeast Maluku Regency, Buru Regency, and Tual City while for West Seram Regency BPK gave a No Opinion (TMP) opinion.

The selection of the Survey of all OPDs in the Regional Government of West Seram Regency as the object of research, is because all OPDs are work units responsible for the financial management of West Seram Regency which is one of the districts in Maluku Province that is considered unsuccessful in compiling and presenting the Quality of Local Government Financial Statements (LKPD), Government Accounting Standards are not in accordance with sufficient evidence, And there are weaknesses in the internal control system in West Seram Regency.

Based on the description above, it can be concluded that this study aims to examine the effect of accounting standards, internal control systems and human resource competence on the quality of local government financial statements and can provide input to local governments to be able to improve the quality of financial statements in West Seram Regency.

### **Theoretical Foundation**

Stewardship theory views management as a party that can be trusted by the public to perform good and useful actions by the public for the common interest both specifically and generally. The implication of stewardship theory in this study is government. The government will work best for the benefit of its people in terms of transparency of financial reporting. The government or public bodies are required to provide accurate and correct public information, such as providing information about financial statements and financial reporting that is easily accessible to the public (puspitasari, 2010) in (Rahmi, P.11:2021).

Agency theory has the main principle of a working relationship between two parties, namely the party who gives authority (principal) with the party who receives authority (agency) in a form of cooperation called the "nexus of contract". The agent acts as a party given a contract by the principal to work in accordance with the interests of the principal. In Agency Theory, it is explained about the relationship between principal and

agent. (Jensen & Meckling, 2019) in (Mona Nur Adhillah, 2022) means that Agency Theory is a relationship that arises when one party (principal) gives authority and responsibility to another party (agent) to take authority and responsibility to another party (agent) to make decisions according to the interests of the principal.

**H1. The effect of the application of Government Accounting Standards (SAP) on the quality of financial statements.**

The results of Emi Pavitasari's research (2018) show that there is an influence of the application of government accounting standards on the quality of financial statements. Likewise, research conducted by Donny Adiansyah (2016) shows that the application of government accounting standards affects the quality of financial reporting. The results of Nugraheni and Subaweh's (2008) research show that there is a significant influence of SAP implementation on the quality of financial reporting. Likewise, research conducted by Lasoma, (2013). shows that government accounting standards have a significant effect on the quality of financial reporting.

**H2. The Effect of Internal Control System (SPI) on Financial Statements**

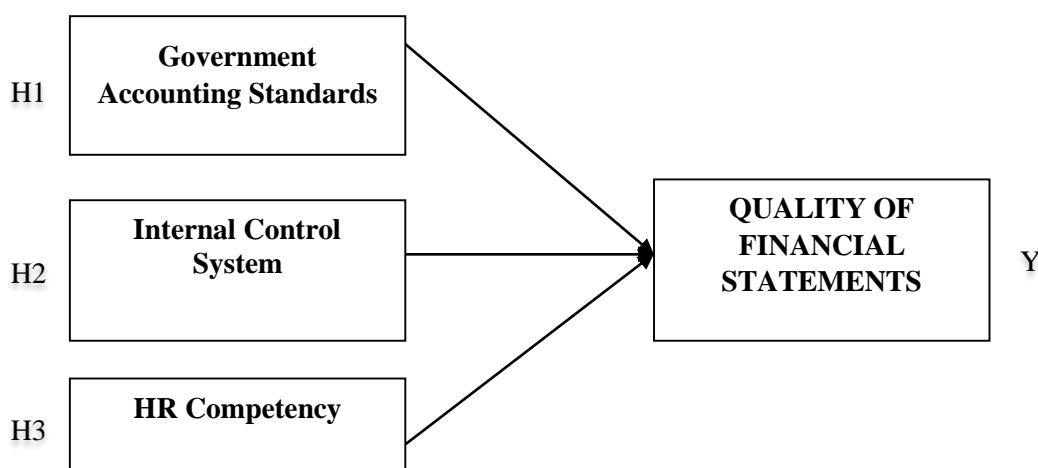
Based on Shohabatussa'adah's research, Muhammad Nasrullah (2021) found that the internal control system affects the quality of financial statements. Furthermore, researcher Ida Ayu Enny Kiranayanti, Ni Made Adi Erawati (2016) the influence of the internal control system affects the Quality of Local Government Financial Statements. And Sri Rahayu researcher, Alfanisha Dewi Kanita (2022) found that the internal control system showed a partial positive influence on the quality of regional financial statements. After that, Dimas Syahputra researcher, Arnida Wahyuni Lubis (2022), found that the internal control system showed a significant effect on the quality of regional financial statements. Then Indra Firmansyah's researcher, Rani Tarida Sinambela (2020), found that there was a significant influence on the Internal Control System on the Quality of Financial Statements.

**H3. The Effect of Human Resource Competence on the Quality of Financial Statements**

Some previous studies that became a reference for the author include Wirmie Eka Putra (2017) with the research title Analysis of Factors that affect the quality of government in the results of his research Simultaneously the application of SPAP, SPIP, and the quality of human resources affects the quality of local government financial statements. Partially, the implementation of SPAP, SPIP, and the quality of human resources each affect the quality of government financial statements. Puji Santono (2016) research title The Effect of the Application of SAP, SPIP, HR Competence, HR Competency research results have a significant effect on financial reporting while SPI and regional financial supervisors have no effect on financial reporting. Febrian, Haty Ramadhan (2018) research results The application of SAP and HR competencies is not influential, while SPI and accountant competencies affect financial statements.

**Research Model**

**Picture. 1 Research Model**



**II. RESEARCH METHODS**

**Population and Sample**

According to Sugiyono (2012: 61), population is a generalized area containing both subjects and objects that have certain characteristics, which are determined by researchers to be studied and then conclusions are drawn. The population in this study is all employees of the Finance Department of the Regional Government

Office of West Seram Regency. The population in this study was 30 OPD. While the sample in the study was respondents consisting of OPD leaders, OPD Secretaries, section heads and field heads.

**Operational Definition of Research Variables**

The application of government accounting standards that apply today is accrual-based and guided by PP NO. 71 of 2010. The application of Government Accounting Standards is measured by 12 indicators, namely PSAP a) No. 01 Presentation of Financial Statements, b) PSAP No. 02 Cash Based Budget Realization Report, c) PSAP No. 03 Cash Flow Statement, d) PSAP No. 04 Notes to financial statements, e) PSAP No. 05 Inventory Accounting, f) PSANo. 06 Investment Accounting, g) PSAP No. 07 Fixed Asset Accounting, h) PSAP No. 08 Construction Accounting in progress, i) PSAP No. 09 Liability Accounting, j) PSAP No. 10 Error correction, k) PSAP No. 11 Consolidated Financial Statements, l) PSAP No. 12 Operational Statements. The variable of Application of Government Accounting Standards was measured by distributing questionnaires to respondents who were asked to answer on a Likert scale using 24 statements.

Government Regulation No. 60 of 2008, among others, refers to the elements of the internal control system in government regulations, which include: Control activities, Risk assessment, Control environment, Monitoring, Communication and information. Internal Control System variables were measured by distributing questionnaires to respondents who were asked to answer on a Likert scale using 19 statements.

Human resources are the main element of the organization compared to other elements besides capital, technology, and money, because humans will control other resources. Human resource competence is the knowledge and expertise to solve tasks in the organization. Human Resource Competence is measured by 3 indicators, namely, a) Knowledge, b) Skills, and c) Attitude. The Human Resources Competency variable was measured by distributing questionnaires to respondents who were asked to answer on a Likert scale using 19 statements.

The quality of Local Government Financial Statements is the criteria that need to be realized in accounting information in order to achieve a goal. Based on Government Regulation No. 71 of 2010 the Quality of Financial Statements can be measured by indicators a) Relevant, b) Reliable, c) understandable, and d) comparable. The variable Quality of Local Government Financial Statements was measured by distributing questionnaires to respondents who were asked to answer on a Likert scale using 15 statements.

**Data Analysis Techniques**

The data analysis technique in this study used Bergnda Linear Regression with the help of IBM SPSS Statistics 26. Data collection used questionnaires with seven attitude scales, namely strongly agree (SS), agree (S), somewhat agree (TS), Neutral (N), disagree (TS), strongly disagree (STS).

**III. RESULTS OF RESEARCH AND DISCUSSION**

Based on the data collected in the study, the questionnaires distributed amounted to 150 copies and returned in the amount of 138, and the questionnaires that could be processed amounted to 135. From 135 questionnaires collected based on 30 OPDs, researchers made an average score for each OPD. So that the amount of data processed in this study is as much as 30. The detailed description of returning questionnaire and descriptive data is as follows: The description of the characteristics of questionnaire and descriptive data is as follows:

**Table 4.1  
Questionnaire Dissemination and Return Data**

Information	Sum	Percentage
Distributed questionnaires	150	100%
Returning questionnaires	138	92,00%
Questionnaires that do not return	12	8,00%
Questionnaires that can be processed	135	90,00%
Unprocessable questionnaires	3	2,00%

Primary Data Sources Processed, 2023

**The Effect of the Application of Government Accounting Standards on the Financial Statements of the Local Government of West Seram Regency**

From statistics for testing the first hypothesis it is proposed that the variable influence of the application of government accounting standards -.041 with a significant value of 0.552 and if measured by a significant value of 0.05 so that it can be concluded that the effect of the application of government accounting standards is not significant on the quality of financial statements but has a relationship, it can be proven by t count of 21, 624 which is greater than t table which is 1.701 so that the variable The application of government accounting standards relates to the variable quality of financial statements, and also the effect of the application

of government accounting standards has no effect on local government financial statements. Based on the results of the regression test, there are differences between this study and the previous researcher, namely Istiqomah, (2020), the Regression Coefficient of Government Accounting Standards (X2) of 0.191 (positive), states that every increase in SAP 1 unit will increase the Quality of LKPD by 0.191 units assuming other independent variables are constant. The regression coefficient of the Role of Government Accounting Standards (X1) of -0.041 (negative), states that every increase in PSAP of 1 unit will reduce the Quality of LKPD by 0.041 units assuming other independent variables are constant

**The Effect of Internal Control System on the Financial Statements of the Local Government of West Seram Regency**

From statistics for testing the second hypothesis, it is proposed that the variable influence of the internal control system is 0.196 with a significant value of 0.022 and if measured by a significant value of 0.05 so that it can be concluded that the influence of the application of the internal control system has a positive and significant relationship with the quality of financial statements. This can be proven by a t count of 14.432 which is greater than t table which is 1.701.

This research is in line with the results of research conducted by Alamsyah et al. (2018), Agustiningtyas et al. (2020) and Marisa et al. (2020). while the research and Sri Rahayu, & Alfhanisa (2022) entitled The Effect of the Implementation of Local Government Financial Accounting Systems, the Use of Information Technology and Internal Control Systems on the Quality of Regional Financial Statements (Case Study on the Regional Apparatus Organization (OPD) of DKI Jakarta Province in 2022) which states that the internal control system has a significant influence on the quality of regional financial statements.

Based on the results of the regression test, there is a difference between this study and the previous researcher, namely Istiqomah, (2020), the Internal Control System (X4) regression coefficient of -0.066 (negative), states that every increase in SAP 1 unit will reduce the LKPD Quality by 0.066 units assuming other independent variables are constant.

**The Effect of Human Resource Competence on the Financial Statements of the Regional Government of West Seram Regency**

From statistics for hypothesis testing, it is proposed that the variable influence of the internal control system is positively related to 0.672 with a significant value of 0.000 and if measured by a significant value of 0.05 so that it can be concluded that the influence of the implementation of the internal control system has a positive and insignificant relationship with the quality of financial statements, and also the influence of the internal control system affects the financial statements of local governments. This shows that if the competence of human resources is of high quality, the financial statements produced are also of high quality. This can be proven by t count of 31,795 which is greater than t table which is 1.701. Based on the results of the regression test there is a difference between this study and the previous researcher, namely Istiqomah, (2020), the HR Competency regression coefficient (X1) of 0.041 (positive), states that every increase in HR competence of 1 unit will increase the Quality of LKPD by 0.041 units assuming other independent variables are constant.

The results of this study support research conducted by Kadek Desiana Wati, Nyoman Trisna Herawati, and Ni Kadek Sinarwati (2015) entitled "The Effect of HR Competence, SAP Implementation, and Regional Financial Accounting System on the Quality of Financial Statements". While Putriasri's research, (2017: 95) entitled The Influence of Human Resource Competence, the Application of Government Accounting Standards, and the Application of Regional Financial Accounting Systems on the Quality of Local Government Financial Statements of DIY Province also said that the higher the Human Resources Competence, the better the Quality of Regional Financial Statements so that financial statements can meet the qualitative characteristics of financial statements.

**Table 2. Test Results of Coefficient of Determination (R2)**

Model Summary <sup>a</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855a	.731	.700	1.771
a. Predictors: (Constant), KSDM, SPI, PSAP				
b. Dependent Variable: KLKD				

**Table 3. Statistical Test Results F**

ANOVA <sup>a</sup>						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	221.151	3	73.717	23.513	.000b
	Residual	81.516	26	3.135		
	Total	302.667	29			

a. Dependent Variable: KLKD
b. Predictors: (Constant), KSDM, SPI, PSAP

**Table 3. Statistical Test Results t**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-9.655	13.106		-.737	.468
	PSAP	-.041	.068	-.069	-.602	.552
	SPI	.196	.080	.255	2.439	.022
	KSDM	.672	.087	.899	7.755	.000

a. Dependent Variable: KLKD

**IV. Conclusion**

Based on the results of data analysis and discussion related to the effect of the Application of Government Accounting Standards, Internal Control System, Human Resource Competence, on the Quality of Financial Statements of the Regional Government of West Seram Regency, the following conclusions can be drawn:

1. The application of Government Accounting Standards negatively affects the Quality of Financial Statements of the Local Government of Seram Bagin Barat Regency. This can be proven by the linear regression equation  $Y = -9.655 + (-0.41) X_1$ , the correlation coefficients ( $r_{xy} = 0.522$ ) and ( $r^2_{xy} = 23.513$ ) and  $t_{calculate} > t_{table}$  ( $23.513 > 1.701$ ). This shows that the worse the implementation of Government Accounting Standards, the worse the quality of the Financial Statements of the Regional Government of Seram Bagin Barat Regency.

2. The Internal Control System has a positive effect on the Quality of Financial Statements of the Local Government of Seram Bagin Barat Regency. This can be proven by the linear regression equation  $Y = -9.655 + 0.196 X_2$ , the correlation coefficients ( $r_{xy} = 0.522$ ) and ( $r^2_{xy} = 23.513$ ) and  $t_{calculate} > t_{table}$  ( $23.513 > 1.701$ ). This shows that the better the Internal Control System, the better the Quality of Financial Statements of the Local Government of West Seram Bagin Regency.

3. The Internal Control System has a positive effect on the Quality of Financial Statements of the Local Government of Seram Bagin Barat Regency. This can be proven by the linear regression equation  $Y = -9.655 + 0.672 X_2$ , the correlation coefficients ( $r_{xy} = 0.672$ ) and ( $r^2_{xy} = 23.513$ ) and  $t_{calculate} > t_{table}$  ( $23.513 > 1.701$ ). This shows that the better the Internal Control System, the better the Quality of Financial Statements of the Local Government of West Seram Bagin Regency.

Based on the results of regression tests, there are differences in research. According to Istiqomah, (2020) based on the results of the regression test, there are differences between this study and previous researchers, namely:

1. The constant of 6.895 means that if the variables HR Competency (X1), SAP (X2), Good Governance (X3), and SPI (X4) are assumed to be zero, then the magnitude of LKPD Quality is 6.895 units.

2. The regression coefficient of HR Competency (X1) of 0.041 (positive), states that every increase in HR competence of 1 unit will increase the Quality of LKPD by 0.041 units assuming other independent variables are constant.

3. The regression coefficient of Government Accounting Standards (X2) of 0.191 (positive), states that every increase in SAP 1 unit will increase the Quality of LKPD by 0.191 units assuming other independent variables are constant.

4. The Good Governance regression coefficient (X3) of 0.190 (positive), states that every increase in Good Governance of 1 unit will increase the Quality of LKPD by 0.190 units assuming other independent variables are constant.

5. The Internal Control System regression coefficient (X4) of -0.066 (negative), states that every increase in SAP 1 unit will reduce the LKPD Quality by 0.066 units assuming other independent variables are constant.

According to Idrus, (2023) based on the results of the regression test, there are differences between this study and previous researchers, namely:

1. The constant of -9.655 means that if the variables of the Role of Government Accounting Standards (X1), SPI (X2), and HR Competence (X3) are assumed to be zero, then the magnitude of LKPD Quality is 9.655 units.

2. The regression coefficient of the Role of Government Accounting Standards (X1) of -0.041 (negative), states that every increase in PSAP of 1 unit will reduce the Quality of LKPD by 0.041 units assuming other independent variables are constant.

3. The regression coefficient of the Internal Control System (X3) of 0.196 (positive), states that every increase in SPI of 1 unit will increase the Quality of LKPD by 0.196 units assuming other independent variables are constant.

4. The HR Competency regression coefficient (X2) of 0.672 (positive), states that every increase in HR of 1 unit will increase the Quality of LKPD by 0.672 units assuming other independent variables are constant.

Based on IHPS data from the First Semester of BPK RI in 2022, West Seram Regency in the process of examining local government performance reports, there are findings that become problems in the presentation of regional financial statements. These problems that affect the fairness of the presentation of LKPD West Seram Regency include;

#### 1. Current assets

Premièrement, le solde de trésorerie du trésorier des dépenses n'a pas été récupéré en le déposant dans la trésorerie régionale et/ou n'a pas été comptabilisé. Deuxièmement, l'argent liquide est utilisé pour des activités qui ne sont pas conformes à sa désignation et/ou non conformes aux dispositions des lois et règlements. Troisièmement, les créances d'impôt sur les terrains ruraux et urbains et les impôts sur la construction (PBB P2) n'ont pas été ou ne sont pas valides, et la vérification et la validation n'ont pas été effectuées.

#### 2. Fixed Assets

First, the recording of fixed assets of land, equipment and machinery, buildings and buildings, and roads, irrigation and networks has not been carried out or is inaccurate. Second, the presentation of fixed assets is not supported/equipped with a detailed list of assets, proof of ownership, and identity of goods, and fixed assets are not known to exist. Third, Renovation, rehabilitation, and other costs after the acquisition of fixed assets have not been capitalized to their parent fixed assets. Fourth, the presentation of construction in the works is not based on the minutes of the assessment of the physical progress of the work.

#### 3. Operating Expenses

First, the realization of goods and services expenditures consisting of official travel expenditures, consumable goods expenditures, office services, and maintenance expenditures are not in accordance with the provisions and/or are not supported by evidence of liability. Second, the realization of social assistance spending is not on target and is not supported by adequate accountability. Third, Overpayment on the realization of goods and services expenditures, has not been recovered by depositing into the caste. Fourth, the realization of employee spending has not been supported by adequate evidence of accountability and the income tax deduction has not been deposited into the State treasury.

#### 4. Capital Expenditure

First, the overpayment of capital expenditure that occurred due to lack of work volume, non-conformity of work specifications, work not carried out, payment exceeding work performance, and indications of expensive prices, has not been recovered by depositing into the regional treasury. Second, the realization of land capital expenditure on land compensation is carried out not in accordance with the provisions. Third, the realization of JIJ's capital expenditure for debt payment was not supported by testing the conformity of the specification of work results and was realized beyond budget. Fourth, the realization of capital expenditure exceeds physical realization and is not supported by a valid work contract and the goods from procurement have not been received by the local government.

Based on IHPS data from Semester I of BPK RI in 2022, the West Seram Regency Government in the process of examining local government performance reports has findings that are problematic in the weakness of the internal control system. These problems that affect the fairness of the presentation of LKPD West Seram Regency include;

#### 1. Weaknesses of the Accounting and Reporting Control System

First, record keeping has not been done or is inaccurate. Second, the process of preparing financial statements is not in accordance with the provisions. Third, the accounting and reporting system is inadequate.



## 2. Weaknesses of the APBD Implementation Control System

First, activity planning is inadequate. Second, deviations from regulations on income and expenditure. Third, improper policy implementation increases cost increases.

## 3. Weaknesses of the Internal Control Structure

First, SOPs/policies/regulations have not been prepared/are incomplete. Second, SOPs/policies/regulations have not run optimally or are not adhered to. Third, the internal supervisory unit is not optimal. Fourth, there is no adequate separation of duties and functions.

## V. Suggestion

Based on the results of the study and related to the limitations of this study, further suggestions can be proposed that are expected to be useful as follows:

### 1. For Local Government

a. Evaluate the application of government accounting standards, especially assets whose status is not yet clear such as some Local Government buildings of Seram Bgian Barat Regency.

b. Improve the competence of financial administration employees in managing and presenting financial statements. This can be seen from the existence of financial administration employees who have low skills in accounting.

c. Improving the reliability of financial statements because presenting financial statement information fairly and not in favor of the needs of certain parties is not an achievement but an obligation.

### 2. For the Next Researcher

a. The results of this study show that the Quality of Financial Statements can only be explained by 73% by the three independent variables. For future research, you should be able to add other variables such as, Internal Audit, Leadership, Employee Performance.

b. Research can be accompanied by a questionnaire method through questionnaires that are distributed directly to respondents. This is done with the aim that respondents better understand the questionnaire statement given by the researcher, so that the results obtained are more accurate.

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