



**ANALYSIS OF THE MANAGEMENT INFORMATION SYSTEM  
IMPLEMENTATION OF LOCAL GOVERNMENT ASSET, HUMAN  
RESOURCES CAPACITY AND GOVERNMENT INTERNAL  
CONTROL SYSTEMS ON NORTH SUMATRA'S PROVINCIAL  
GOVERNMENT FINANCIAL STATEMENTS QUALITY**

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**Abstract:**

The objective of this study is to analyze the implementation of management information system of local government asset, human resources capacity and government internal control systems on North Sumatra's provincial government financial statements quality. This type of research is quantitative research which belongs to causal comparative. The population in this study was the organizer of goods in the Government of North Sumatra Province in 49 OPD. This research method used census in which the entire population of this study used as research samples. The results of this study indicate that to some extent, the implementation of local assets management information systems has a positive and significant effect on the quality of financial statements, the capacity of human resources has a positive and significant effect on the quality of financial statements and the government's internal control system has a positive and significant effect on the quality of financial statements. The results of the study simultaneously showed the implementation of local assets management information systems, human resource capacity, and government internal control systems have been cooperatively influential on the quality of the financial statements of the Government of North Sumatra Province.

**JEL:** G18; G28; G29

**Keywords:** local assets management information system, human resource capacity, government internal control system, financial report quality

## 1. Introduction

Compliant with Law 32 of 2004 concerning Local Government which was changed to Act 23 of 2014 concerning Local Government, each province is given the authority to regulate its own government affairs aimed at boosting the conception of effectiveness and results for the implementation of Local Government in the welfare of the municipal through improvement of provincial public services.

In relation to Government Regulation Number 27 of 2014 concerning Management of State / Regional Property that the management of State / Local Asset which is growing and complex needs to be managed ideally in accordance with Minister of Domestic Affairs Regulation No. 19 of 2016 concerning Guidelines for Management of Local Property. Local Asset Management is all activities that cover needs planning and budgeting, procurement, use, utilization, security and maintenance, valuation, alienation, annihilation, deletion, administration and guidance, supervision and control which are managed based on principles of functional principles, value assurance principles, the principle of legal certainty, the principle of accountability, the principle of transparency and the principle of efficient.

Provincial-owned assets (BMD) must be managed with the principles of effective, efficient, professional and modern by prioritizing good governance so as to be able to increase the trust of the public and other stakeholders to the government in the management of assets in the local financial statements (Supriyanto, 2015). The quality of financial statements in Government Regulation No. 71 of 2010 explains the qualitative characteristics of financial statements as normative measures that need to be realized in accounting information so that it can meet its objectives (Pradono and Basukianto, 2015).

To optimize local management, in 2012 the North Sumatra Provincial Government has assisted the Finance and Development Supervisory Agency (BPKP) to manage local asset using an application in the form of a desktop-based local asset information system (SIMDA). This is based on desktops that produce data information which supports the preparation of local government balance sheets and financial statements.

In preparing the financial statements of local governments, an Internal Control System is required, according to Government Regulation No. 60 of 2008, Internal Control System is an integral process of actions and activities carried out continuously by the leadership and all employees to provide adequate confidence in the achievement of organizational goals through effective and efficient activities as well as the reliability of financial reporting, safeguarding state assets and compliance with laws and regulations.

Human resource capacity plays a role in preparing financial statements because human resource capacity is the ability of a person or individual, an organization (institutional), or a system to carry out its functions or authorities to achieve its objectives effectively and efficiently (Karmila, Tanjung and Darlis, 2014).

From the 2017 BPK-RI LHP findings on internal control at the Provincial Education Office, the P2D findings were the largest findings given by BPK-RI to the North Sumatra Provincial Government for 4 (four) years to obtain WTP opinion, so that it could have an impact on the assessment financial statements for the 2018 Budget. BPK's opinion is one of the indicators used by stakeholders to obtain the level of trust in a financial report presented (Kiranayanti & Erawati, 2016). Financial reports produced by local governments will be used by several concerned parties as a basis for decision making. Therefore, local governments must pay attention to the information presented in financial statements for the purposes of planning, controlling and decision making (Husna, 2013). The preparation of quality financial statements requires competent human resources and understands the rules for preparing financial reports with government accounting standards (Ihsanti and Emilda, 2014). The high quality of local government financial reports is also determined by how well the internal controls owned by local government institutions. Weak internal control makes it difficult to detect fraud / inaccuracies in the accounting process so that audit evidence obtained from accounting data becomes incompetent (Rahmawati, 2010).

## 2. Literature Review

### 2.1 Quality of Financial Statements

The quality of financial reports produced by institutions must meet several quality standards that are understandable, relevant to the needs of users to make decisions, materiality, reliable information presented, comparable and on time (Hidayat, 2017).

The quality of financial statements is interrelated with local financial management because quality financial reports are created through the financial management process stage, namely the existence of the planning process of the implementation phases and the stages of control / supervision.

The high quality of local government financial reports is also determined by how well the internal controls owned by local government institutions. Weak internal control makes it difficult to detect fraud / inaccuracies in the accounting process so that audit evidence obtained from accounting data becomes incompetent (Rahmawati, 2010). Indicators related to the quality of financial reporting (Soemarso, 2004) are as follows:

#### 1. Reporting Process

- a. Recording transactions by collecting data in chronological mode.
- b. The classification of transactions for presentation can be summarized.
- c. The summary presents information that has been classified in the form of the desired reports.

#### 2. Qualitative qualities / characteristics

- a. Can be understood - an important quality of information contained in financial statements is on its easiness of being understood by users. For this purpose, users are assumed to have adequate knowledge about economic and business activities, accounting, and the willingness to learn information with reasonable perseverance.
- b. Relevant - to be useful, information must be relevant to meet the needs of users in the decision making process. Information has relevant quality if it can influence users' economic decisions by helping them evaluate past, present or future events, confirm, or correct, the results of their evaluations in the past.
- c. Reliability - to be useful, information must also be reliable. Information has reliable quality if it is free from misleading notions, material errors, and can be relied on by the user as a faithful representation of what should be presented or that is reasonably expected to be presented.
- d. Comparability - the user must be able to compare the company's financial statements between periods to identify trends in financial position and performance. Users must also be able to compare financial statements.

### **3. Management Information System**

Management Information System (SIM) is an information system that in addition to undertaking all the transaction processing required by an organization, it also provides information and processing support in the context of carrying out management operations and decision-making processes (Tata, 2016).

Management Information System is a combination of human resources and computer-based resources that produce a collection of data storage, communication and utilized for the purpose of efficient management operations and business planning (Sutabri, 2016).

Management Information System as an integrated human / machine system is employed to present information and to support the operations, management and decision making functions within an organization (Davis, 2001). Management Information System (MIS) is a system that can assist management in data collection, processing and analysis of data evaluations and presenting within the boundaries of valuable information and as a final point to the decision making where this information is valuable to support management operations functions (Rizan, 2013).

In line with the Center for Education and Training of Domestic Government, Local Management Information System (SIMBADA) has been adapted to the Minister of Domestic Affairs Regulation No. 17 of 2007 concerning Technical Guidelines for the Management of Local Asset. Local Asset Management Information System is currently used in Provincial, Regency / City Governments.

According to Djaja in (Budiman, Fuad and Arza, Fefri Indra, 2013), the SIMDA application is a database application that aims to facilitate local financial management within the Provincial Work Unit (SKPD). SIMDA application was developed by observing and implementing the Government Internal Control System (SPIP), therefore

controlling the application must be a guideline for local governments in implementing the SIMDA application to produce local government financial reports (Ole, 2014)

Application of local asset management information system developed by the Local Financial and Asset Management Agency (BPKAD) of North Sumatra Province, known as Local Information Management Information System (SIMBADA) Online V. 03 Accrual-Based, it is an information system technology used by the Provincial Government of North Sumatra in completing its local financial statements.

The benefits obtained by the local government using the integrated regional financial SIMDA application system (BPKP, 2008) are as follows:

- 1) Integrated database, no need to input the same data repeatedly;
- 2) The same data will be checked and automatically checked (data validation guaranteed);
- 3) Flexible as it can produce information according to necessities where:
  - a. Outputs can be adjusted according to applicable laws, and
  - b. Outputs can be presented based on local government management needs to make decisions / policies.

Some indicators of the effectiveness of technology-based information systems (Bodnar, 2000), are as follows:

- 1) Data security indicators are related to disaster prevention, both due to deliberate actions, as well as human error and the ability level of technology-based information systems in anticipating illegal access and damage to the system.
- 2) The time indicator is related to the speed and accuracy of information in the system usage request. The ability level of technology-based information systems is also related to the processing data into a report, both periodically and non-periodically, for a predetermined time span.
- 3) Accuracy indicators are related to the degree of freedom from misinformation. In large data volumes, there are usually two types of errors, i.e. recording errors and calculation errors
- 4) Indicators of variation in reports or output relate to the completeness of information content. In this case, it is not only about the volume, but also about the information. The ability level of technology-based information systems is also related to make a report with the development and calculation in accordance with the needs that are useful for information users.
- 5) Relevance indicators show the benefits that result from product or information output, both in data analysts, services, and data presentation. Relevance indicator shows the suitability and benefits of the report produced.

#### **4. Human Resources Capacity**

Human resource capacity is the capability of a person or individual, an organization (institutional), or a system to carry out its functions or authorities to achieve its

objectives effectively and efficiently. Capacity must be seen as the ability to achieve performance, to produce outputs and outcomes (Indriasari and Nahartyo, 2008).

According to Tjiptoherijanto (in Indriasari and Nahartyo, 2008) in order to assess the capacity and quality of human resources in carrying out a function, including accounting, it can be seen from the level of responsibility and competence of these resources. The responsibility can be seen from or stated in the job description. Job descriptions are the basis for carrying out their duties by the book. Without a clear job description, these resources cannot carry out their duties properly while competency can be seen from the educational background, training courses that have been attended, and from the skills stated in the implementation of the task.

Alimbudiono & Fidelis (2004) argued that good human resource capacity can be seen from its characteristics as follows, namely:

- 1) Good experience;
- 2) Education relevant to the work;
- 3) Skills relevant to the task.

High quality human resources are deemed to be able to create not only comparative value but also competitive-generative value and innovative by using the uppermost drive such as: intelligence, creativity, and imagination (Sutrisno, 2010)

To measure the capacity of human resources, some points are considered as follows:

- 1) Good experience, Alimbudiono & Fidelis (2004);
- 2) Education relevant to work / Intelligence, Edi Sutrisno (2014);
- 3) Skills relevant to the task, Alimbudiono & Fidelis (2004).

## **5. Government Internal Control System (SPIP)**

Government Regulation No. 60 Year 2008 regulates the Government Internal Control System (SPIP) is an integral process in the activities and actions taken continuously by the leadership and the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of State assets, and observance of laws and regulations. SPIP aims to provide sufficient confidence in achieving the effectiveness and efficiency of the achievement of the objectives of the implementation of the state government, the reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations.

The internal control issued by the Committee of Sponsoring Organization (COSO), the most widely accepted internal control framework in the United States, outlines five components for implementing by management to provide reasonable certainty that its control objectives will be achieved (Arens, 2008). COSO internal control components are the same as those in article 3 PP No. 60 of 2008 stated that SPIP includes the following:

- 1) Environment Control - the environment control is an important element because it shapes human culture and behavior. Human nature is the driving force and

foundation for all activities. The leadership and all employees in the Inspectorate must create and maintain an environment control that creates positive and favorable behavior for the application of the Internal Control System in their work environment, through the enforcement of integrity and ethical values; commitment to competence; conducive leadership; the establishment of an organizational structure that suits the needs; delegation of appropriate authority and responsibilities; formulation and application of sound policies regarding the development of human resources; the realization of the role of an effective government internal control apparatus; and good working relations with related government agencies.

- 2) Risk Assessment - risk assessment is related to the ability to identify and measure the magnitude of risk in achieving the objectives of the Inspectorate. In a good control environment, the ability to assess risk will also be worthy.
- 3) Control activities / activities - control activities are related to the ability to choose the right type of control that is influenced by accuracy in assessing risk. The inspectorate must carry out control activities according to the size, complexity, and nature of the task.
- 4) Information and Communication - government agencies must have relevant and reliable information both financial and non-financial information, related to external and internal events, which provides and utilizes various forms and means of communication and manages, develops and updates information systems continuously.
- 5) Monitoring - the routine management activities of supervision, comparison of reconciliation and other actions related to the implementation of tasks, where a separate evaluation can be carried out by the government internal oversight apparatus or external government parties as well as using the internal test list.

## 6. Research Methods

The population in this study was the local apparatus organization (OPD) consisting of 49 OPD in the Government of North Sumatra Province. This study used census sampling techniques, so that the sample in this study was 49 (forty nine) respondents. The technique of data collection was done by questionnaire. The questionnaire is an attempt to gather information by submitting a number of written questions, to be answered in the form of writing also by respondents.

The data analysis technique used multiple linear regression analysis which was used to find out significance of the implementation of the management information system of local assets, human resource capacity and government internal control system on the quality of the financial statements of the Government of North Sumatra Province multiple linear regression equation is:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + e \tag{1}$$

Description:

Y = Quality of Financial Statements

$\alpha$  = Constant

b1 = Regression coefficient of the Regional Property Management Information System

b2 = Regression coefficient of human resource capacity

b3 = Regression coefficient of the Government Internal Control System

X1 = Regional Property Management Information System

X2 = Human Resource Capacity

X3 = Government Internal Control System

e = Standard error

## 7. Results and Discussion

### 7.1 Results

The following are the results of the multiple linear regression analysis that researchers have compiled in Table 1.

**Table 1:** Multiple Linear Regression Analysis

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.705	.290		5.883	.000
ISIMBMD	.255	.094	.321	2.724	.009
KSDM	.234	.085	.362	2.732	.009
SPIP	.149	.059	.274	2.533	.015

a. Dependent Variable: Quality of Financial Statements

Source: Research Results, 2019 (Data Processed)

From Table 1, a multiple linear regression analysis has been carried out on the variable implementation of the management information system for local asset, human resource capacity, and the government's internal control system on the quality of financial statements. The following is a model of multiple linear regression equations from this study:

$$\text{Quality of Financial Statements} = 1,705 + 0,255 \text{ ISIMBMD} + 0,234 \text{ KSDM} + 0,149 \text{ SPIP}$$

- 1) Constants (a) = 1,705, Stating that if there is no influence or variable implementation of local asset management information systems, the quality of human resources, and the government's internal control system is considered zero then the quality of financial statements will remain at 1,705.

- 2) Coefficient ( $X_1$ ) ( $b_1$ ) = 0.255, this shows that the variable implementation of local asset management information systems has a positive and significant direction in its effect on the quality of financial statements.
- 3) Coefficient ( $X_2$ ) ( $b_2$ ) = 0.234, this shows that the variable human resource capacity has a positive and significant direction in its effect on the quality of financial statements.
- 4) Coefficient ( $X_3$ ) ( $b_3$ ) = 0.149, this shows that the variable internal government control system has a positive and significant direction in its effect on the quality of financial statements.

Then, the results of the calculation are simultaneously obtained in the following table:

**Table 2: Simultaneous Hypothesis Test**

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.151	3	1.050	29.762	.000 <sup>a</sup>
	Residual	1.588	45	.035		
	Total	4.739	48			

a. Predictors: (Constant), SPIP, ISIMBMD, KSDM  
 b. Dependent Variable: Quality of Financial Statements

Source: Research Results, 2019 (Data Processed).

The statistical calculation results in Table 2 show a significant value of 0,000. With this significant value, the simultaneous significant value is smaller than 0.05 or can be accepted at the 95% confidence level. With a significant value below 0.05, the hypothesis in this study can be accepted. As a result, all in all- the implementation of management information systems for local asset, human resource capacity, and government internal control systems affect the quality of the financial statements of the Government of North Sumatra Province.

The implication of the results of testing from above hypothesis is that when the implementation of the management information system for local asset, human resource capacity, and the government's internal control system are applied together, it will be able to have an impact on improving the quality of the financial statements of the Government of North Sumatra Province. To that end, the three variables are to be maintained and even further improved in order to enhance accurate financial statements and provide clear, precise, and fast information.

To test the significance of the regression model for each variable, it can be obtained by using a partial test or t-test which can be seen in Table 3.

**Table 3: Partial Hypothesis Test**

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.705	.290		5.883	.000
ISIMBMD	.255	.094	.321	2.724	.009
KSDM	.234	.085	.362	2.732	.009
SPIP	.149	.059	.274	2.533	.015

a. Dependent Variable: Quality of Financial Statements

Source: Research Results, 2019 (Data Processed)

Based on Table 3, it can be explained that:

- 1) The variable implementation of the management information system for local asset has a  $t_{\text{count}}$  of 2.724. This shows that the value of  $t_{\text{count}}$  is greater than  $t_{\text{table}}$  that is 2.014 ( $t_{\text{count}} > t_{\text{table}}$  or  $2.724 > 2.014$ ). The significance value is 0.009 which is smaller than the alpha value of 5% ( $0.009 < 0.05$ ). Then, it can be concluded that  $H_a$  is accepted and  $H_o$  is rejected, that is the implementation of a local asset management information system has a positive and significant effect on the quality of financial statements. This shows that if the implementation of management information systems for local asset has increased, it can improve the quality of financial statements and vice versa. If the implementation of management information systems for local asset decreases it will reduce the quality of financial statements.
- 2) The variable human resource capacity has a  $t_{\text{count}}$  of 2.732. This shows that the value of  $t_{\text{count}}$  is greater than  $t_{\text{table}}$  that is 2.014 ( $t_{\text{count}} > t_{\text{table}}$  or  $2.732 > 2.014$ ). The significance value is 0.009 which is smaller than the alpha value of 5% ( $0.009 < 0.05$ ). Then, it can be concluded that  $H_a$  is accepted and  $H_o$  is rejected, that is human resource capacity has a positive and significant influence on the quality of financial statements. This shows that if the capacity of human resources has developed it can improve the quality of financial statements and vice versa if the capacity of human resources decreases it will reduce the quality of financial statements.
- 3) The government internal control system variable has a  $t_{\text{count}}$  of 2.533. This shows that  $t_{\text{count}}$  is greater than  $t_{\text{table}}$  that is 2.014 ( $t_{\text{count}} > t_{\text{table}}$  or  $2.533 > 2.014$ ). The significance value is 0.015, which is smaller than the alpha value of 5% ( $0.015 < 0.05$ ). Then, it can be concluded that  $H_a$  is accepted and  $H_o$  is rejected, that is to say that human resource capacity has a positive and significant influence on the quality of financial statements. This shows that if the government internal control system has improved, it can progress the quality of financial statements and vice versa if the government internal control system decreases, it will lessen the quality of financial statements.
- 4) Beta value on standardized coefficient is a guide to see which type of variable is the most dominant. Beta value of the implementation of the management

information system of local asset is 0.255, the capacity of human resources is 0.234, the government's internal control system is 0, 149. It can be concluded that the highest value is owned by the variable of service quality by 0.543. This shows that the variable implementation of the management information system for local asset is dominant in influencing the quality of financial statements.

Then, the coefficient of determination is determined by looking at the adjusted R square value.

**Table 4:** Coefficient of Determination

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.815 <sup>a</sup>	.665	.643	.18786
a. Predictors: (Constant), SPIP, ISIMBMD, KSDM				
b. Dependent Variable: Quality of Financial Statements				

Source: Research Results, 2019 (Data Processed).

From the results of the statistical calculations shown in Table 4, it can be seen that the coefficient of determination (adjusted R square) obtained is equal to 0.643. This means that 64.3% of the quality of financial statements in the Government of North Sumatra Province is able to explain the implementation of the management information system of local asset, human resource capacity, and the government's internal control system, while the remaining 35.7% of the quality of financial statements is influenced by other variables not examined in this study.

## 7.2 Discussion

### A. The Effect of Implementation of Local Asset Management Information System on the Quality of the Financial Statements of the Government of North Sumatra Province

The results that have been obtained indicate that the implementation of local asset management information systems affect the quality of the financial statements of the Government of North Sumatra Province. Management information system is a system that can benefit management in data collection, processing and evaluation of data analysis and present within the limits of valuable information and finally arrive at decision making where this information is useful to support the operational functions (Rizan, 2013).

This study found that the local asset management information system is able to influence the better quality of financial statements. The local asset management information system that has been implemented by the North Sumatra Provincial Government now has a better impact in order to produce a financial report that is quick and reliable.

The results of the analysis conducted by researchers through the response of respondents who have the highest score on the variable implementation of the management information system of local asset showed the statement of OPD that feel

satisfied with the SIMBADA application. This application is deemed as safe in storing data in the event of a disaster, malicious human action and damage to the system with the criteria of strongly agree, this is supported by the financial and local asset management agency of the North Sumatra Provincial Government which monitors the database and server and regularly backs up the database on the SIMBADA application as safety data if unexpected actions occur.

From the results of the above analysis, it can be concluded that the SIMBADA application needs to be further developed and maintained in the future. The OPD considers that the SIMBADA application is a safe application to be used specifically to carry out operational activities of the Government of North Sumatra Province. OPD also argues that the application of SIMBADA is able to provide convenience for OPD, especially in managing data and producing information. As this is able to generate a positive impact, then the SIMBADA application is important to be developed in order to maintain in producing accurate quality financial reports.

The results of this study are in line with research conducted by Ulfiati's study (2017) entitled the effect of the implementation of the local financial management information system (SIMDA), the quality of human resources and the application of government accounting standards to the quality of local financial reports in the government of Tegal Regency. The results of this study provide information that the implementation of local management information systems is able to affect the quality of the Tegal Regency financial statements. This study also explains the importance of applying a local management information system in order to provide effectiveness in completing the work of government employees and to produce a better quality financial report of the Tegal Regency government.

## **B. The Effect of Human Resources Capacity on the Quality of the Financial Statements of the Government of North Sumatra Province**

The results of statistical calculations show that the significant value generated by the variable human resource capacity to the quality of financial statements is 0.009. It can be concluded that there is an effect of human resource capacity on the quality of the financial statements of the Government of North Sumatra Province.

Human resource capacity is the ability of a person or individual, an organization (institutional), or a system to carry out its functions or authorities to achieve its objectives effectively and efficiently. Capacity must be seen as the ability to achieve performance, to produce outcomes and results (Indriasari and Nahartyo, 2008).

Good human resource capacity can be seen with the characteristics of having good experience. Experience will make individuals to possess the capability to do their jobs. This capability can be applied if the experiences of these individuals have in common. The next characteristic is education that is suitable for work. Education in accordance with the work carried out will be able to provide a maximum contribution to the output produced. Education in accordance with the work will be able to sustain

individuals in carrying out work in accordance with the job description. The next characteristic is where an individual has the skills in accordance with their duties.

The results of the analysis conducted by researchers through respondents' responses in which the capacity of human resources appears to be the highest score particularly on the statement of work experience as the OPD goods manager employed the background of the applied knowledge as well as having an appropriate / relevant educational background. This is supported by the goods organizer of OPD having an educational background and understanding of local asset, starting from the process of procuring local asset, the administration process of recording into the SIMBADA application as to produce a balance sheet of the Government of North Sumatra Province, this is also supported by appropriate and relevant education as to facilitate OPD in carrying out the financial reporting process and producing quality financial reports.

The results of the analysis through the responses of respondents had the lowest score on the statement of the OPD goods manager following the training / technical guidance about the SIMBADA online application V.03 accrual. In this variable, the statement has the lowest score but still in the agreed category. This shows that the training / BIMTEK held by the North Sumatra Province Financial and Asset Management Agency held in 1 (one) year and only conducted 2 (two) training / BIMTEK about SIMBADA applications. As a matter of fact, during the training, there were several DPOs that were always unable to attend due to conflicting schedules. It is recommended that before conducting training / BIMTEK, North Sumatra Province BPKAD should coordinate with OPD so that all OPDs can be present at the training / BIMTEK schedule. In the human resource capacity variable according to the results of the analysis of researchers, it can be concluded that the OPD who felt strongly agreed / very satisfied with the capacity of this human resource was the Local Tax and Retribution Management Agency and the Development Administration Bureau

The results of this study found that the quality of resource capacity will be able to provide an increase in the quality of the financial statements of the Government of North Sumatra Province. From the results of a survey conducted by the researcher, the OPD goods manager stated that the resources that have the capacity and quality are the goods administrators who have previous experience background and have managed the goods. In addition, the most essential benchmark is the management of goods has possessed an appropriate and relevant educational background. The OPD item manager who is in the current position has been identified to hold an educational background in accordance with his work placement. The results of this study are in line with research conducted by Ayu and Made (2016) which indicates that human resource competencies have an influence on the quality of local government financial reports.

Moreover, the results of this study are also in line with research conducted by Rahayu and Budhy (2015) with the title of the effect of human resource capacity on the quality of financial reporting and its implications for tax audit standards. The results of this study indicate that there is a significant effect between the capacities of human

resources on the quality of financial reporting. The results of this study stated that the capacity of human resources has an important role in relation to improving the quality of financial reporting. The results of this study also stated that the capacity of human resources needed experience in the appropriate field of work and have relevant education in order to understand the work carried out.

### **C. The Effect of the Government Internal Control System on the Quality of the Financial Statements of the Government of North Sumatra Province**

The results of statistical tests obtained that the significant value of the variable internal control system of the government on the quality of the financial statements of the Government of North Sumatra Province was 0.015. This shows that the value is smaller than 0.05. It can be concluded that the government's internal control system affects the quality of the financial statements of the Government of North Sumatra Province.

The government internal control system is an integral process in the activities and actions taken continuously by the leadership and the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, security of national assets, and compliance with laws and regulations.

The results of the analysis in this study through the responses of respondents to the government's internal control system have the highest score on the statement of the leadership of BPKAD to manage, develop, and improve SIMBADA applications continuously. This shows that BPKAD of North Sumatra Province always routinely manages repairs and develops SIMBADA applications, which the management of local asset needs to be determined by the governor's policy in accordance with regulatory changes made by the Minister of Home Affairs regarding depreciation and administration. Thus, in line with that SIMBADA application still needs development to be done. In 2019, BPKAD of North Sumatra Province changed the location and item code in accordance with the Minister of Domestic Affairs Regulation No. 108 of 2016 concerning the Classification and Codification of Regional Property in the SIMBADA application. In 2019, BPKAD of North Sumatra Province also conducted a census of goods in all OPDs where a census of goods is carried out every 5 years at the regional government. This shows that the leadership of the North Sumatra BPKAD always does or updates the SIMBADA application in accordance with the latest *Permendagri* in order to always follow the applicable government regulations on local government-owned asset.

The results of the analysis through the responses of respondents displayed the lowest score on the statement of the leadership in carrying out the identification stages by compiling a list of risks in order to eliminate the causes of risk. In this variable the statement has the lowest score but still in the agreed category. This shows that the leadership in each OPD is still lacking in identifying and compiling a list of risks or causes of risk in the OPD, so that almost all OPDs who receive reports on the results of BPK audits annually will be followed up in the coming fiscal year.

The results of this study found that managing, developing and improving applications is necessary because the application as a means that can be used as a tool for information flow. It can be concluded that when the internal control system is managed properly, it will be able to have an impact on the quality of good financial statements. The OPD goods manager said that it became very important to have good management through an application that could support the operational activities of the local government. In improving the quality of financial statements, there are also some things that must be considered, namely carrying out the identification of stages - by compiling a list of risks for the sake of eliminating the causes of risk. With these things in mind, the North Sumatra Provincial Government's financial management will be even better in the future.

The results of this study are in line with research conducted by Aditya and Surjono (2017) which states that the government's internal control system is able to affect the quality of the financial statements of the local revenue service offices of Sukabumi II Regency, Pelabuhan Ratu.

#### **D. The Effect of Implementation of Local Asset Management Information System, Human Resource Capacity, Government Internal Control System on the Quality of the Financial Statements of the Government of North Sumatra Province**

The results of statistical calculations show a significant value of 0,000. With this significant value, the simultaneous significant value is smaller than 0.05 or can be accepted at the 95% confidence level. It can be concluded mutually - the implementation of management information systems for regional property, human resource capacity, and government internal control systems affect the quality of the financial statements of the Government of North Sumatra Province.

The results of the analysis conducted by researchers on the variable implementation of management information systems for local asset shows that OPD is very satisfied with the SIMBADA application that is safe in storing data in the event of a disaster, malicious human actions and damage to the system, OPD is facilitated in storing reports on the SIMBADA application and is safe in anticipating illegal data access. The processing on the SIMBADA application is also found to be helpful for the caretaker of the goods in presenting the correct financial statement data.

The results of the analysis conducted by researchers on human resource capacity variables indicate that OPD feels very satisfied with work experience on the OPD goods manager as it supported by the background of applied knowledge. Being an OPD, goods manager must have an appropriate / relevant educational background and become an OPD goods manager, civil servants must have work experience in the form of an understanding of local asset.

The government internal control system variable shows that OPD feels very satisfied with the leadership of BPKAD who manages, develops, improves SIMBADA applications continuously, the OPD leader upholds integrity, ethical values and commitment in preparing financial statements in a timely manner and OPD leaders

provide, utilize various forms of communication tools in producing quality financial reports.

The results of the analysis conducted by researchers on the quality variables of financial statements indicate that they are in accordance with the recording of financial statement transactions based on LRA, SP2D and SPK data collected by the OPD goods manager, the quality of relevant financial statements affects BPK RI in determining opinions and information from reliable financial statements to produce information that is quick and punctual.

It can be concluded that the application of SIMBADA is helpful for the management of goods in presenting the correct financial statement data supported by the capacity of resources that have an understanding of local asset, human resources who have appropriate educational background / relevant knowledge will further facilitate the OPD in producing financial reports quality. In carrying out the process of recording financial statements into the SIMBADA application, the OPD goods manager must collect the budget realization report data (LRA) for that year, the funds withdrawal order (SP2D) and work order. By the time this data is collected the management can carry out the process of recording financial reports into SIMBADA application in accordance with capital expenditure and service expenditure from each OPD which is supported by the leadership of the OPD which upholds integrity, ethical values and commitment in preparing financial statements on time. The OPD leadership also utilizes various forms of communication in producing quality financial reports. OPD is confident in storing financial statement data because the SIMBADA application is safe in keeping data, safe in the event of a disaster, safe in anticipating illegal access, malicious human actions and damage to the system. This is constantly supported by the leadership of BPKAD that manages, develops and improves SIMBADA applications. Reliable goods managers who have an understanding of local asset can compile financial reports well; produce an asset balance sheet of the North Sumatra Provincial Government that is balanced with the budget realization report. Therefore, the SIMBADA application can be relied upon to produce quick and well-timed information such as the asset balance required by stakeholders as information in making decisions. The quality of relevant reports can influence BPK RI in determining opinion for subsequent budget years.

It can be concluded that when the implementation of local asset management information systems, human resource capacity, and government internal control systems are applied together, it will have an impact on improving the quality of the financial statements of the Government of North Sumatra Province. For this reason, the three variables must be maintained and even improved so that they can further generate accurate financial reports and provide clear, precise and quick information and in particular diminish the findings of the BPK RI LHP each year so that the Government of North Sumatra Province can maintain the WTP Opinion in years to come.

## 8. Conclusion

In this study the results have been obtained that show the effect of each independent variable on the dependent variable, thus conclusions can be arranged as follows:

- 1) Implementation of local asset management information system has a positive and significant effect on the quality of the financial statements of the Government of North Sumatra Province.
- 2) Human resource capacity has a positive and significant effect on the quality of the financial statements of the Government of North Sumatra Province.
- 3) The government's internal control system has a positive and significant effect on the quality of the financial statements of the Government of North Sumatra Province.
- 4) Implementation of local asset management information system, human resource capacity, and government internal control system significantly influence the quality of the financial statements of the Government of North Sumatra Province.

### 8.1 Suggestions

- 1) The Government of the Province of North Sumatra, especially the Provincial Financial and Asset Management Agency, which is tasked with carrying out the management of the SIMBADA application and as a Trustee for all the management of goods in the North Sumatra Provincial Government, should present development in innovations of the SIMBADA application in accordance with the asset management cycle in order to produce better reports to support the preparation of the North Sumatra Provincial Government's balance sheet.
- 2) The Government of the Province of North Sumatra in particular the Provincial Financial and Asset Management Agency should be able to conduct training / BIMTEK / coaching clinic on the management of local asset using the SIMDA application by first coordinating with OPD so that all OPDs can attend the training / BIMTEK schedule.
- 3) Leader in each OPD to further improve the identification of asset administration and asset security and compile a list of risks or things that could lead to audit findings by the BPK team. This is still commonly found in the 2018 BPK LHP on the government's internal control system.
- 4) The Government of the Province of North Sumatra should improve the quality of financial statements, it is necessary to pay more attention in managing a better internal control system in accordance with the main tasks and functions of each position and leadership of each OPD. This done in order to be more motivating, protecting and welcoming figures to all State civil servants who have a role in completing the financial statements of the North Sumatra Provincial Government as well as solving the problem of the follow-up to BPK's audit findings and minimizing the findings by identifying problems in the

implementation of financial statement record in order to improve the quality of financial reports in line with expectations, namely maintaining a Fair Opinion without Exception (WTP) .

- 5) The researcher can further consider incorporating other variables into this research model such as the commitment of the leader, synergy of asset management and internal control.

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