



ARTÍCULOS

UTOPIA Y PRAXIS LATINOAMERICANA. AÑO: 25, n° EXTRA 1, 2020, pp. 146-154
REVISTA INTERNACIONAL DE FILOSOFÍA Y TEORÍA SOCIAL
CESA-FCES-UNIVERSIDAD DEL ZULIA. MARACAIBO-VENEZUELA.
ISSN 1316-5216 / ISSN-e: 2477-9555

Effect of Employee Competence and Internal Control Systems on Accounting Information Quality of the local Government in West Java region

Efecto de la competencia de los empleados y sistemas de control interno sobre la calidad de la información contable del gobierno local en Java Occidental

Nunuy Nur Afiah

University of Padjadjaran, Indonesia

Adhi Alfian

adhi.alfian@unpad.ac.id

University of Padjadjaran, Indonesia

Poppy Sofia

University of Padjadjaran, Indonesia

Este trabajo está depositado en Zenodo:

DOI: <http://doi.org/10.5281/zenodo.3774595>

ABSTRACT

The purpose of this study was to empirically examine the effect of employee competence and internal control system on accounting information quality. The research was conducted to all local governments in the West Java region. The respondent are SKPD, PPKD, and the Regional Inspectorate on Local Government respectively; each local government sent six research questionnaires. The data analysis tool used was structural equation modeling (SEM). The results also show that employee competence and internal control system simultaneously gave the significant effect on accounting information quality, therefore a combination of both aspects can be considered as an improvement.

Keywords: Accounting information quality, employee competence, internal control system.

RESUMEN

El objetivo de estudio fue examinar empíricamente el efecto de la competencia de los empleados y el sistema de control interno sobre la calidad de la información contable. La investigación es realizada a todos los gobiernos locales en la región de Java Occidental. Los encuestados son SKPD, PPKD y la Inspección Regional de Gobierno Local, respectivamente; cada gobierno local envió seis cuestionarios de investigación. La herramienta de análisis de datos utilizada es el modelado de ecuaciones estructurales (SEM). Los resultados también muestran que la competencia de los empleados y el sistema de control interno simultáneamente dieron un efecto significativo en la calidad de la información contable, por lo tanto, una combinación de ambos aspectos puede considerarse como un enfoque de mejora.

Palabras clave: Calidad de la información contable, competencia del empleado, sistema de control interno.

Recibido: 02-03-2020 • Aceptado: 30-04-2020



Utopia y Praxis Latinoamericana publica bajo licencia Creative Commons Atribución-No Comercial-Compartir Igual 4.0 Internacional (CC BY-NC-SA 4.0). Más información en <https://creativecommons.org/licenses/by-nc-sa/4.0/>

INTRODUCTION

Accounting information is one of the important information that should be owned by government agencies to carry out strategic policies. The availability of quality accounting information make local government can make right and harmonic decisions in accordance with the objectives and strategies that have been set, because the level of the inherent quality of the information would affect the strength of decision to be taken. Valuable information could improve decision-making capacity, it affected by the inherent quality of the information. Besides, Haag and Cummings explained that the information will have a high quality only when the information is appropriate (pertinent), relevant, and useful.

The local government in Indonesia is still difficulty in generating quality accounting information. BPK (the Indonesian Government Audit Board) data says from 256 provincial government, district and city in Indonesia, only 30% who received unqualified opinion¹⁸. The users of accounting information, particularly external users used the auditor opinion to obtain reasonable assurance about the quality of the information².

Difficulty producing quality accounting information which are caused by the inadequate accounting human resource capacity and the employees educational backgrounds which did not come from accounting or finance areas¹. Besides other issues have found that it is still a lot of hidden knowledge untapped by the employees¹⁹.

As a result, the employees in the accounting/financial areas cannot maximize its function optimally or do a mistaken accounting treatment. The problems which occur in the administration of fixed assets. Fixed asset management processes that have not been maintain properly is one of the main reasons why local governments in West Java has not been able to get unqualified opinion of the BPK¹⁷. Based on research conducted by Xu²⁵, it is found that some issues related with employee competence, system, and organization has a critical role to make accounting information quality.

Beside employee competence, internal control system factor is also considered to have an influence in creating quality accounting information. The existence of internal controls over accounting information generation process can improve the quality and efficiency by ensuring the organization's resources have been secured properly, prevent fraud, and ensure the reliability and accuracy of accounting information generated¹⁶. This is also emphasized by research conducted by Brandas⁴, where it is stated that control in the accounting information generation process can assist organizations in ensuring of the integrity, reliability, accuracy, and availability of obvious financial statements.

Problems related to the employees competency and implementation of internal control systems that is not maximized found in government agencies in West Java region. It related to the competence of employees and implementation process of internal control systems visible from the weakness of the system, rules, regulations, organizational governance, SOP of working process, until to the human resources capability in carrying out the task and look for solutions to the problems faced¹⁷. On the other hand there are still problems occurred related to the internal control system which is associated with still many government officials and staff who run double duty, the implementation of accounting information system which not yet uniform, also accounting systems and procedures that do not implement properly³.

It has been found that the competence of the employees also have relevance to the internal control system. Hawker⁸ explains that the competence is one of the factors that may affect the control measures what needs to be done. Besides, the level of employee competence may also affect the level of threat that can occur within an organization. Then the threat level would affect the control mechanism.

Based on the above phenomenon, there is a gap in producing quality accounting information concept with the reality. The differences lead accounting information generation process could not be maximized. However, it is unclear whether employee competence and internal control systems will be able to affect the quality of accounting information on a local government agency in West Java.

LITERATURE REVIEW

Employee competence

Competence by Spencer and Spencer²¹ defined as an underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation. While according to Wheelen and Hoffman²³ competence is the integration and coordination on cross-functional capabilities owned.

Mejia, et al¹⁵ explains that the competence is a characteristic associated with the success of the performance. Mathis and Jackson¹³ adds the aspect of competence could affect performance improvement for individual or in a team. At the minimum level, employees who have competence should be able to: 1) Recognize the capabilities, attitudes and attributes that are required to meet the employment needs of current and future as an organization priorities and direction also the strategic placement purposes. 2) Focus on development efforts to eliminate the gap between the capabilities required by the available²⁰. Capability is an important aspects of employee competence to describe the characteristics of a person in doing an activity, either physically or mentally⁵.

In the employee competencies development process that necessary to note the capabilities and talents possessed, so the employee career development can walk on an ongoing basis, and the output of the whole process can make the employee has specific expertise. Training program for employee is a way that can be done to improve employee skills and talents. The organization could make some analysis so the employee competency development process can be more focused.

It is need to consider that the important of employees competence not only on the ability to do a daily job, further it can make employee have the opportunity to get job promotion, large salary, and solve organization problem. So the employee competence has a huge impact to the employee productivity and value, beside for the organization. Citing the opinion of the researchers before, the dimensions used to measure employees competence in this study is the knowledge, skill, and value.

Internal control system

Internal control system defined as a system that consists of policies and procedures designed to provide management with reasonable assurance that company achieves its objectives and goals. These policies and procedures are often called controls, and collectively they comprise the entity's internal control².

Meanwhile Hall⁷ explained the internal control system comprises policies, practices, and procedures employed by the organization to safeguard assets of the firm, ensure the accuracy and reliability of accounting records and information, promote efficiency in the firm's operations, and measure compliance with management's prescribed policies and procedures.

Associated with internal control processes carried out at government agencies in Indonesia, the details have been arranged in the PP (Indonesian Government Regulation) No. 60 Year 2008 on Government Internal Control System. On the PP the concept of internal control implemented known as SPIP (the Government Internal Control System), which is the overall implementation concept of internal control system in the state and local governments⁹.

In the practice of internal controls on government agencies in Indonesia, established APIP (Government Internal Inspector Apparatus) consisting of: BPKP, Inspectorate General or any other name that is functionally implement internal supervision, Provincial Inspectorate, District/City Inspectorate.

Dimensions used to measure the internal control system variables in this study are control environment, risk assessment, control activities, information and communication, monitoring.

Accounting information

Laudon and Laudon¹² defined information as a data that have been shaped into a form that is meaningful and useful to human being. McLeod and Schell¹⁴ added, besides molded/processed that has meaning; information also contains something unknown by the user. Stair and Reynolds²² explains that the data processed into information make it has value added more than just add value from the data/facts before it treated. Information should be used by the users to find out what is happening today, supplementing with information about what has happened in the past. So that information can allow users to take the necessary action in the future⁷.

From the accounting aspect, the accounting function is to manage organization's financial information based on the format⁷. In carrying out these functions at least two main roles undertaken by the accounting that capture and record the financial impact of these transactions, the second role is to distribute transactions information to personnel in operational area so they can communicate a several tasks assigned.

Kieso, et al¹¹ explains that the accounting consists of three basic activities which are identify, record, and communicate the economic events of an organization to interested users. To be able to identify the economic events, an organization choose the relevant events to their business activities. Once an organization identify related economic events, the next step is recorded these events/transactions into a systematic and chronological recording format that enables users to manage. After all transactions are recorded systematically, management needs to communicate the information gathered as a form of responsibility to the users concerned.

Accounting information of an accounting process can be presented in the financial statements. In Indonesian government agencies, the financial statements need to be presented, mainly related to the accrual basis of recording that has begun obliged¹³ consisting of: Budget Realization Report, Statement of Changes Over Budget Balance, Balance Sheet, Statement of Operations, Cash Flow Statement, Statement of Changes in Equity, Notes to Financial Statements. To measure the level of accounting information quality generated, dimensions used in this study are relevance, accurate, timely.

METHODOLOGY

The method used in this research is descriptive, verificative, and explanatory, with quantitative analysis approach. The indicators used in this study using ordinal scale as measured by the scale of attitudes by using a Likert approach.

In this study, the population included that all local governments in the West Java region, which consists of one provincial government, 18 district governments, and 9 city governments. While the observation units used were SKPD (Local Working Unit) and PPKD (Financial Management Working Unit) in the local government as the accounting information processor, as well as the Regional Inspectorate on Local Government respectively.

Primary research data used in this study will be based on the survey using a questionnaire media, with secondary data obtained from books, news, and results of previous studies. Questionnaires were distributed directly by met the respondents. Each unit researched observations will be sent six research questionnaire.

For purposes of data analysis, patterns of relationships between variables in this study is described using structural equation modeling (SEM).

Hypothesis

Based on the research problem and background described above, the hypothesis developed in this research consists of:

1. Hypothesis 1:

H₀₁: partially employees competence did not significantly affect the quality of accounting information.

H_{a1}: partially employees competence significantly affect the quality of accounting information.

2. Hypothesis 2:

Ho₂: partially internal control system did not significantly affect the quality of accounting information.

Ha₂: partially internal control system significantly affect the quality of accounting information.

3. Hypothesis 3:

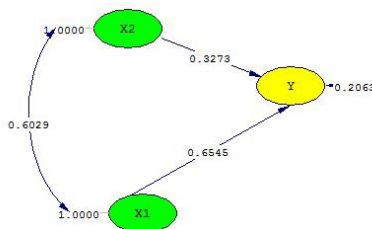
Ho₃: simultaneously employees competence and internal control system did not significantly affect the quality of accounting information.

Ha₃: simultaneously employees competence and internal control system significantly affect the quality of accounting information.

RESULT AND DISCUSSION

The results of the analysis conducted by using lisrel software 8.72 in the attachments based on the analysis of structural models, can be explained that the accounting information quality variable is affected by the employee competency with a path coefficient of 0.6545, and the internal control system with a path coefficient of 0.3273. Thus the proposed conceptual hypotheses have been tested and accepted. A complete structural model can be described as follows:

Picture 1
 Statistical Test



Chi-Square=44.15, df=25, P-value=0.33995, RMSEA=0.053

Source: Research Data

Based on the calculation results obtained showed Accounting Information Quality affected by Employee Competency and internal control system either partially or simultaneously. Based on correlation and path coefficient values obtained, it can be seen the effect of Employee Competence and Internal Control System on the Financial Statement Quality as follows:

Table 1.
 Statistical Test

Variable	Path coefficient	Direct effect	Indirect effect		Total effect
			Employees Competence	Internal Control System	
Employees Competence	0.6545	0.4284		0.1292	0.5575
Internal Control System	0.3273	0.1071	0.1292		0.2363
Total		0.5355	0.1292	0.1292	0.7938

Source: Research Data

Based on the above table it can be seen that the Employee Competence and Internal Control System affected Accounting Information Quality directly and indirectly. Employee Competency variable direct effect on accounting information quality is equal to 42.84%, while its indirect effect through Internal Control Systems is at 12.29%. Meanwhile the direct effect of the Internal Control System variable on accounting information quality is equal to 10.71%, while the indirect effect through Employee Competency amounted to 12.92%.

1st Hypothesis Testing:

Based on tests carried out on a first hypothesis, it is found that the path coefficient of variable X1 to Y at 0.6545, while t_{count} obtained amounted to 2.4617 by taking α significance level of 5%, then t_{table} value = 1.708. Due t_{count} greater than t_{table} , then H_0 is rejected, meanwhile H_a is accepted. In other words Employee Competency had a significant effect on the accounting information quality of 0.6545. So any increase in one unit of employee competence will increase the accounting information quality by 0.6545 units.

2nd Hypothesis Testing:

Based on tests performed on second hypothesis, it is known that the path coefficient of variable X2 to Y at 0.3273, while t_{count} obtained amounted to 1.2194 by taking α significance level of 5%, then t_{table} value = 1.708. Due t_{count} smaller than t_{table} , then H_0 is accepted or in other words the internal control system had no significant effect on the accounting information quality.

3rd Hypothesis Testing:

Based on third hypothesis testing, the value of F_{count} is 466.2276, where the criteria for rejection of H_0 if F_{count} larger than F_{table} or $F_0 > F_{\text{table}}$, with a degree of freedom of $v_1=3$ and $v_2=173-3-1$ and 95% of confidence level, then on the F distribution table obtained F_{table} value for 2.9912. Due 466.2276 greater than 2.9912, then H_0 is rejected and H_a is accepted. It can be concluded that there is a linear relationship between Employee Competence and Internal Control System on the Accounting Information Quality. In other words, it can be interpreted that there is a simultaneous significant effect between Employee Competency and Internal Control System on the Accounting Information Quality.

To find out the questionnaire data then necessary to make construct test for each variable. Confirmatory factor analysis (CFA) testing was conducted to determine the model constructs that make up the overall measurement model. Related to Employee Competence testing, the result that the Value dimensions loading factor has a larger value than any other dimension. This shows that the Value is the main determining factors on Employee Competence variable, because the dimensions of the Value describes the real outcomes that directly impact on the Employee Competence compared with other dimensions used in measuring Employee Competence variables. On the other hand there is still a factor that is not optimal in a Employee Competence variable, with the smallest loading factor that is Knowledge. This occurs because of limitations of Knowledge simply be measured by employee knows or not on a phenomenon, which is not necessarily knowledge is implemented in a real action.

Meanwhile, related to the Internal Control System variable, it can be deduced that the Environmental Control dimension has the largest loading factor value compared to the other dimension. This indicated that the Environmental Control is the largest variable forming Internal Control Systems. Thus, it can be concluded that there is correspondence between the concept of Internal Control System with the implementation of the Internal Control System in this study, where the Control Environment is a critical success factor of internal control implementation and will affect the other components of the Internal Control System. Meanwhile Risk Assessment variable is the lowest loading factor. This indicates that the risk assessment is the lowest factor in shaping the Internal Control System variable.

Associated with the Accounting Information Quality testing, it can be concluded that Relevant dimension has the largest loading factor value. This shows that the Relevant variable is the largest factor forming Accounting Information Quality. Besides, the dimensions of Timeliness are a factor that has the lowest value

on the Accounting Information Quality variable. This indicates that the Timeliness has smallest impact on earnings accounting information quality.

CONCLUSION

The results showed that the employee competence have a significant impact on the accounting information quality. The higher employee competence particularly related to knowledge, abilities, and values aspects owned that influence the greater on earnings accounting information quality.

Other findings from the statistically tests on the data collected is that the internal control system does not have a significant effect on the accounting information quality. It found that the main factor causing the internal control system did not significantly affect the accounting information quality is because of risk assessment dimension did not yet goes well. The test result is in keeping with the reality that occurs in the implementation process of the internal control system on the research object is being studied.

It was found that in general the Control Environment dimensions application is quite good, which are normative things such as organizational structure, legal basis, management directives, and other matters already bolted properly. However, thus elements has not been translated into Control Activities dimension that are operational control level. This occurs because the Risk Assessment implementation have not been going well, so that the translation process of Control Environment into Control Activities with is based on the implementation of the Risk Assessment was not working as it should. It is then that allegedly can answer the second hypothesis testing results where the Internal Control System variable did not significantly affect Accounting Information Quality, which is due to the implementation of the Risk Assessment has not run optimally.

The final conclusions obtained is that the Employee Competency and Internal Control System has a significant impact on the Accounting Information Quality. This happens because the employees competence supported by the implementation of a thorough control causes the entire system and data processing transactions into accounting information can be running properly. So that the level of accounting information quality resulting could be better.

From the result of this research, researchers suggest related parties as follow:

The local government must undertake sustained and systematic step to ensure employee competence level remains in line with its needs, particularly those related with generating process of accounting information.

The local government should carry out risk assessment procedures correctly to make aggregate internal control process can be run in accordance with the control concept, so it could support the process of generating a higher accounting information quality.

The inspectorate must continue to enhance its role as an internal auditor tasked with providing improvements input in earnings accounting information quality and as an implementer of the internal control system in controlling the potential that could lead to not qualified accounting information.

For the next researcher, the addition of variable, dimension, indicator, respondent, population, and the time span over diverse research can be done to further clarify the delineation of research results.

BIBLIOGRAPHY

- ANAS, A.A. (2015). "BPK Minta Pemda Segera Terapkan Laporan Keuangan Berbasis Akrual". <http://bappeda.banyuwangikab.go.id/news200-bpk-minta-pemda-segera-terapkan-laporan-keuangan-berbasis-akrual->. Accessed on 29 February 2016.
- ARENS, A.A., ELDER, R.J. & BEASLEY, M.S. (2012). *Auditing and Assurance Services: An Integrated Approach*. 14th Edition. New Jersey: Pearson Prentice Hall.
- AZIZ, H.A. (2014). "BPK sebut kualitas laporan keuangan daerah masih rendah". <http://www.antaraneews.com/berita/468227/bpk-sebut-kualitas-laporan-keuangan-daerah-masih-rendah>. Accessed on: 29 February 2016.
- BRANDAS, C. et al. (2013). "Integrated Approach Model of Risk, Control and Auditing of Accounting Information Systems". *Informatica Economică*. Vol. 17, no. 4.
- GIBSON, J.L. et al. (2012). *Organizations: Behavior, Structure, Processes*. Fourteenth Edition. New York: McGraw-Hill.
- GÓMEZ MEJIA, L. et al. (2010). *Managing Human Resources*. Seventh Edition. New Jersey: Pearson.
- HAAG, S. & CUMMINGS, M. (2009). *Information Systems Essentials*. Third Edition. New York: McGraw-Hill/Irwin.
- HALL, J.A. (2011). *Accounting Information System*. Seventh Edition. Ohio: Cengage Learning.
- HAWKER, A. (2000). *Security and Control in Information Systems: A Guide for Business and Accounting*. London: Routledge.
- INDONESIAN GOVERNMENT. PERATURAN PEMERINTAH REPUBLIK INDONESIA NOMOR 60 TAHUN (2008). tentang Sistem Pengendalian Intern Pemerintah. Jakarta.
- INDONESIAN GOVERNMENT. PERATURAN PEMERINTAH REPUBLIK INDONESIA NOMOR 71 TAHUN (2010). tentang Standar Akuntansi Pemerintahan. Jakarta.
- KIESO, D.E. et al. (2010). *Intermediate Accounting: IFRS Edition*. Wiley.
- LAUDON, K.C. & LAUDON, J.P. (2012). *Management Information Systems: Managing The Digital Firm*. Twelfth Edition. New Jersey: Prentice Hall.
- MATHIS, R.L. & JACKSON, J.H. (2008). *Human Resource Management*. Twelfth Edition. Ohio: Thomson South-Western.
- MCLEOD, R. & SCHELL, G.P. (2007). *Management Information Systems*. 10th Edition. New Jersey: Pearson.
- NEOGY, TAPOSH KUMAR. (2014). "Evaluation of Efficiency of Accounting Information Systems: A Study on Mobile Telecommunication Companies in Bangladesh". *Global Disclosure of Economics and Business*. Volume 3, No 1.
- Policy: *Toward Global Sustainability*. Thirteenth Edition. New Jersey: Pearson.
- PRAWIRADININGRAT, CORNELL S. (2015). "Tahun Ini BPK Fokus Pelototi Kinerja Pemerintah". <http://bisnis.tempo.co/read/news/2015/03/30/090654078/tahun-ini-bpk-fokus-pelototi-kinerja-pemerintah>. Accessed on: 27 February 2016.

- RAMDAN, YUDI. (2015). "Laporan Keuangan Pemda yang Baik Masih Minim". <http://bisnis.liputan6.com/read/2268582/laporan-keuangan-pemda-yang-baik-masih-minim>. Accessed on: 28 February 2016.
- SETIAWATI, SRI. (2014). "Bimbingan Implementasi Akuntansi Pemerintah Berbasis Akrua". <http://puspiptek.ristek.go.id/media.php?module=detailberita&id=2027-bimbingan-implementasi-akuntansi-pemerintah-berbasis-akrua-.html> Accessed on: 27 February 2016.
- SINNOTT, G.C., MADISON, G.H. & PATAKI, G.E. (2002). Competencies. Department of Civil Service and Governor's Office of Employee Relations.
- SPENCER L. & SPENCER, M. (1993). Competence at Work. Models for Superior Performance. New York: John Wiley & Sons.
- STAIR, R.M. & REYNOLDS, G.W. (2012). Fundamentals of Information Systems. Sixth Edition. Boston: Cengage Learning.
- WHEELEN, T.L. & DAVID HUNGER, J. (2012). Strategic Management and Business.
- WILKINSON, J.W. et al. (2000). Accounting Information Systems: Essential Concepts and Applications. 4th Edition. Wiley.
- XU, HONGLIANG, et al. (2003). Key issues of accounting information quality management: Australian case studies. Industrial Management & Data Systems.

BIODATA

Nunuy Nur Afiah: Is a lecturer at Accounting Department, Universitas Padjadjaran, Indonesia

Adhi Alfian: Is a lecturer at Accounting Department, Universitas Padjadjaran, Indonesia

Poppy Sofia: Is a lecturer at Accounting Department, Universitas Padjadjaran, Indonesia

Copyright of Utopia y Praxis Latinoamericana is the property of Revista de Filosofía- Universidad del Zulia and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.