The influence of accounting internal control and human resources capacity on reliability and timeliness of regional government financial reporting (a study in Special Region of Yogyakarta Province)

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Abstract
Regional autonomy allows regions to hold the authority to manage their own regions. It also raises the responsibility that must be fulfilled by the regional government, namely financial reporting as a means of accountability. Reliability and timeliness are two important elements in financial information for the right decision making. There are several factors that can influence reliability and timeliness. This study aims to examine the effect of accounting internal controls and human resources capacity on the reliability and timeliness of financial reporting in local governments. The object of this research was the head and staff of the Regional Financial and Asset Agency (BKAD) in the Special Region of Yogyakarta province. Data collection was done through questionnaires, which were then analyzed using multiple linear regression analysis. The results of this study indicate that accounting internal control and human resources capacity have a significant influence on the reliability and timeliness of financial reporting in the local governments in the Special Region of Yogyakarta Province.

INTRODUCTION
Regional autonomy is the authority given to regencies and municipalities in a broad, tangible, responsible, and proportional manner to local governments (Mardiasmo, 2002). The implementation of regional autonomy is the delegation of authority from the central government to regional governments which includes the submission and transfer of funding, facilities and infrastructure, and human resources. Such delegation of authority and submission of funds have raised the need for accountability in managing the financial statements of regional governments.

Based on Government Regulation No. 71 of 2010, each reporting entity has an obligation to report on the efforts made and the results achieved in the implementation of activities in a systematic and structured manner during a reporting period. Mardiasmo (2002) defines accountability as the principle of public accountability, which means that the budgeting process from planning, drafting, to implementation must be reported and accountable to the Regional People's Legislative Assembly (DPRD) and the community. Accountability also requires that decision makers behave in accordance with their given

mandate. Thus, it can be said that financial statement is one form of accountability in managing financial statements.

According to the same regulation, financial statements must be relevant, reliable, comparable and understandable. Financial statements are considered reliable if the reports present actual data and are free from misleading information and material errors. Hartono (2009) states that information in financial statements is considered valuable if the information is timely, relevant, and accurate. Timeliness is one important element so that information can be deemed useful and valuable.

Indriasari and Nahartyo (2008) argue that reliability and timeliness are two important elements of information value related to decision making by various parties. Therefore, this study aims to examine several factors that influence the reliability and timeliness of local government financial reporting.

Research on accounting internal controls have been carried out by Indriasari and Nahartyo (2008) and Kosegeran, Kalangi, and Wokas (2016). They found that the internal control system had an effect on the reliability of financial reporting. The same results were also found by research on human resource capacity carried out by Alimbudiono and Mundono (2004), Indriasari and Nahartyo (2008) and Kosegeran, Kalangi, and Wokas (2016).

Based on the background above, this study aims: 1) to examine the effect of accounting internal controls and human resource capacity on the reliability of local government financial reporting; 2) to examine the effect of accounting internal controls and human resource capacity on the timeliness of local government financial reporting.

HYPOTHESIS FORMULATION

According to Purwono (2004), accounting internal controls are organizational plans and methods that aim to secure the assets of the organization and test the extent to which accounting data can be trusted. Mulyadi (2010) explains that internal control is organized based on two system objectives: maintaining the wealth of business entities and checking the accuracy and reliability of accounting information. In its implementation, according to Hartadi (1999), internal control includes plans, procedures, and records that aim to secure assets and achieve reliable financial statements. Research by Indriasari and Nahartyo (2008), Azman (2015), Kosegeran, Kalangi, and Wokas (2016) found that internal control influences financial reporting reliability. With strict internal control, the recording and reporting of financial statements will be carried out more thoroughly so that reports become more reliable. Research by Indriasari and Nahartyo (2008) shows that resource capacity has a positive and significant effect on the timeliness of financial reporting.

H1a: Accounting Internal control has a positive effect on the reliability of local government financial reporting

Research on human resource capacity have been carried out by Alimbudiono and Mundono (2004) and Kosegeran, Kalangi, and Wokas (2016). According to Alimbudiono and Mundono (2004), during financial reporting activities, the government is often faced with the fact that regulations can change at any time. These changes can be in the form of modifications to the accounting system approach, recording procedures, required documents, and even the reporting method. These changes require the support of technology and human resources who have adequate accounting education background. Similarly, a study by Kosegeran, Kalangi, and Wokas (2016) show that human resource capacity has a positive influence on the reliability of financial reporting. By allowing

employees to attend technical assistance and training, it is expected that the reliability of financial reporting can increase.

H1b: Human resources capacity has a positive effect on the reliability of financial reporting of local governments.

However, until now, there has been no research on the effect of internal accounting control on timeliness. Internal control shows that planning, procedures, and records are appropriately controlled, so that financial reporting can be carried out in accordance with the specified timeframe. Therefore, it is presumed that the application of accounting internal controls will ensure reporting timeliness.

H2a: Accounting internal control has a positive effect on the accuracy of financial reporting of the regional governments.

Furthermore, human resource capacity is also often associated with timeliness. Indriasari and Nahartyo (2008) found that resource capacity has a positive and significant effect on the timeliness of financial reporting. Someone who has adequate resource capacity will be able to finish the job faster (on time) and better. According to Hevesi (2005), employees who do not have an adequate understanding of their duties will experience obstacles such as waste of material, time, and energy. Conversely, the higher the employee's understanding of their duties and functions, the fewer obstacles they face, which can reduce the time needed to complete the task.

H2b: Human resources capacity has a positive effect on the timeliness of financial reporting of Local Governments

METHODS

Population of this study was employees of the local governments in the Special Region of Yogyakarta (DIY). Local governments in DIY were chosen because they carried out public accountability professionally based on the results of Government Agency Performance Accountability Systems (SAKIP). In 2017, these governments became the only local governments that succeeded in obtaining the A title (the highest achievement) in Region III. In total, they have been awarded the same title for four times (Tribun Jogja, 2018). The sampling uses purposive sampling, a sampling method using the criteria set by researchers (Cooper and Schindler, 2014). The criteria used in this study are the head or staff who carry out the accounting/financial administration function in the DIY local governments.

This study uses primary data, data obtained directly from the source. Data collection was done through questionnaires to the respondents, namely the section head, operational staff, and accounting / administration staff. This research was carried out in the Special Region of Yogyakarta which included the Regional Financial and Assets Agency (BKAD) of Yogyakarta City, Sleman, Kulonprogo, Gunung Kidul, and Bantul regencies, and the Regional Revenue, Financial, and Asset Management of Special Region of Yogyakarta province.

This study measures four aspects, namely accounting internal controls, human resource capacity, reliability, and timeliness of financial reporting. Table 1 contains the operational definitions of each variable. This study uses a five-point Likert scale model, namely a) Strongly Disagree b) Disagree c) Hesitate d) Agree e) Strongly Agree. The questionnaire used refers to a questionnaire developed by Indriasari and Nahartyo (2008). A summary of the indicators is shown in appendix.

Table 1. Operational definition of variables

Variables	Operational Definitions
Internal accounting control	Organizational plans and methods that aim to secure organizational assets and test the extent to which accounting data can be trusted (Purwono, 2004).
Human resources capacity	The ability of an individual, an organization (institution), or a system to carry out its functions or authority to achieve its objectives effectively and efficiently. Capacity must be seen as the ability to achieve performance and to produce outputs and outcomes (Indriasari dan Nahartyo, 2008).
Reliability	The ability of information to instill confidence that the information is true or valid (Indriasari and Nahartyo, 2008). Information is considered reliable if information is free from misleading and material errors, honestly presented, and can be verified (Government Regulation No. 71 of 2010)
Timeliness	Availability of information for decision makers when needed before the information loses its power to influence decisions (Kieso, Weygandt, dan Warfield, 2011).

This research uses validity test, reliability test, classic assumption test (normality, heteroscedacity, autocorrelation, and multicollinearity test), and hypothesis testing. Data analysis was performed using multiple linear regression analysis to determine the effect of independent variables on the dependent variable. The regression equation to test the proposed hypotheses is as follows:

$$\gamma_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon_i \ \text{...(1)}$$

$$\gamma_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon_i \ \text{...(2)}$$

Notes:

Y_1 = Reliability $\qquad\qquad$ X_1 = Accounting internal control
Y_2 = Timeliness $\qquad\qquad$ X_2 = Human resource capacity
α = Constant $\qquad\qquad$ ε = *Error term*
β = Regression coefficient

RESULTS AND DISCUSSION

Table 2 shows the number of questionnaires and samples in this study obtained from six agencies.

Table 2. Sampling

Detail	Quantity
Number of questionnaires distributed	120
Number of questionnaires returned	115
Number of incomplete and illegible questionnaires	2
Number of valid and usable questionnaires	113

Source: data processed (2018)

Survey is done by distributing questionnaires as many as 120 questionnaires to six agencies in province of DI Yogyakarta and questionnaires returned are 115. However, there are 2 incomplete and illegible questionnaires to be used so the final population of this study amounted to 113.

Table 3 shows the characteristics of respondents which include their education level and position title.

Table 3. Respondents' characteristics

Agency	%	Education level	%	Position Title	%
BKAD Yogyakarta	17.7	SMA/SMK	13,6	Head of (section, sub-division, division)	26.5
BKAD Sleman	17.7	D1	1		
BKAD Bantul	17.7	D3	8,7	Staff	73.5
BKAD Gunung Kidul	16.8	D4/S1	52,4		
BKAD Kulonprogo	17.7	S2	24,3		
DPPKAD Yogyakarta	12.4				

Source: data processed (2018)

Survey is done by distributing questionnaires to respondents from six agencies. They are BKAD Yogyakarta, BKAD Sleman, BKAD Bantul, BKAD Gunung Kidul, BKAD Kulonprogo, DPPKAD Yogyakarta. The questionnaires are distributed to accounting and administration section. The number of respondents in each agency is as follows: BKAD Yogyakarta, BKAD Sleman, BKAD Bantul, and BKAD Kulonprogo are 20 questionnaires or 17,7%. While at BKAD Gunung is 19 questionnaires or 16,8% because there is one questionnaire not returned. Then, the number of respondents at DPPKAD Yogyakarta is 14 questionnaires or 12,4% because there are five incomplete questionnaires and one questionnaire not returned.

The respondents have a various educational background. There are 13,6% from Senior High School (SMA/SMK). Furthermore, the least graduates are from Diploma 1 Program (D1) which is equal to 1%. In contrast, most of them are from undergraduate program (S1/D4), more than half, namely 52,4%. Then, respondent who graduated from Diploma 3 (D3) program is 8,7% and from Master Program (S2) is 24,3%.

Questionnaires are distributed to head of section, sub-division, division, and Staff in each agency. Most of respondents are staff, amounting to 73,5% and the rest are head of section, head of subdivision, and head of division with 26,5%.

Validity and reliability test results

Based on the results of the validity test, one question must be excluded, namely the question on the accounting internal control variable (number 7) because the question had a calculated r count < r table that is (-0.106 <0.195), which indicates invalidity. Reliability test results indicate that the Cronbach alpha value for each variable is > 0.6. This shows that the four variables studied are reliable.

Table 4. Reliability test

Detail	Cronbach Alpha
X1 – Accounting internal control	0,889
X2 – Human resources capacity	0,884
Y1 – Reliability	0,961
Y2 – Timeliness	0,712

Source: data processed (2018)

Classical assumption test results

Normality

The results of statistical tests with Kolmogorov-Smirnov show that data is normally distributed. This can be seen from the one-sample Kolmogorov-Smirnov test which produced the value of Asymp. Sig (2-tailed) > 0.05, which was 0.200 for reliability and 0.08 for timeliness, so it can be concluded that the data is normal.

Autocorrelation

The Durbin-Watson test on reliability produced a value of 1.860 using two independent variables and 113 samples, and thus resulting in a value of dL = 1.634 and

dU = 1.715. It can be concluded that the dW value located in the dU < dW < (4-dU), namely 1.715 < 1.860 < 2.285 (4-dU) has proven that the regression is free from the autocorrelation problem and is viable to use.

On timeliness, the Durbin-Watson test on reliability produced a value of 1.990 using two independent variables and 113 samples, and thus resulting in dU < dW < (4-dU), namely 1.715 <1.990 < 2.285 (4-dU). It can be concluded that the regression is free from the autocorrelation problem and is viable to use.

Multicollinearity

Multicollinearity test is indicated by *tolerance* and *Variance Inflation Factor* (VIF) values. The results of the multicollinearity test can be seen in the table below.

Table 5. Multicollinearity test

Variables	Collinearity statistics tolerance	VIF
X1 – Accounting internal control	0.640	1.562
X2 – Human resources capacity	0.640	1.562
Dependent variable: Y1 Reliability		
X1 – Accounting internal control	0.640	1.562
X2 – Human resources capacity	0.640	1.562
Dependent variable: Y2 Timeliness		

Source: data processed (2018)

Assuming VIF <10 and tolerance > 0.1, it can be concluded that there is no multicollinearity among independent variables, which means that the independent variables do not correlate significantly.

Heteroscedasticity

The heteroscedacity test results can be seen by the Glaser test. If the significance value of p is greater than 0.05, it can be concluded that the data does not experience heteroscedacity. The complete test results can be seen in the table below.

Table 6 Heteroscedacity test

Variables	Sig	Criteria
X1 – Accounting internal control	0.974	No heteroscedacity
X2 – Human resources capacity	0.131	No heteroscedacity
Dependent variable: Y1 Reliability		
X1 – Accounting internal control	0.902	No heteroscedacity
X2 – Human resources capacity	0.944	No heteroscedacity
Dependent variable: Y2 Timeliness		

Source: Data processed (2018)

Hypothesis testing

Simultaneous testing is used to find out whether the independent variables are able to simultaneously explain the dependent variable together. This test is carried out by the F test.

Table 7. Hypothesis testing (F test)

Variables	Adjusted R Square	Simultaneous testing	
		F-stat	Sig
X1, X2 – Y1	0.619	91.852	0.000
X1, X2 – Y2	0.555	70.714	0.000

Source: Data processed (2018)

Based on the table above, it shows that the result of F test is 91,852 with degree of significant 0,000 (<0,005) for variable Y1 (reliability) and 70,714 with degree of significant 0,000 (<0,005) for variable Y2 (timeliness). So it can be concluded that accounting internal control and human resource capacity simultaneously have a positive and significant influence on the reliability and timeliness of local government financial reporting.

Meanwhile, partial hypothesis testing is done to test whether the independent variables are able to explain the dependent variable. This test is carried out using T test.

Table 8. Hypothesis testing (t test)

Model	Unstandardized Coefficients		Standardized Coefficients Beta	Partial testing		Results
	B	Std. Error		T	Sig.	
1 (Constant)	,452	,302		1,495	,138	
X1 – Accounting internal control	,626	,076	,602	8,260	,000	H1a accepted
X2 – Human resources capacity	,299	,082	,266	3,644	,000	H1b accepted
Dependent Variable: Y1 (Reliability)						
2 (Constant)	,710	,298		2,384	,019	
X1 – Accounting internal control	,326	,075	,345	4,375	,000	H2a accepted
X2 – Human resources capacity	,503	,081	,491	6,224	,000	H2b accepted
Dependent Variable: Y2 (Timeliness)						

Source: Data processed (2018)

Based on table 8 above, accounting internal control (X1) has t count (8,260) amounting to 8,260 with degree of significant 0,000 < 0,005. It means hypothesis 1a (H1a) is accepted. It can be concluded that H1a: *Accounting internal control has a positive effect on the reliability of local government financial reporting.* Then, human resource capability has t value that is 3,644 with degree of significant 0,000 <0,005. It means hypothesis 1b (H1b) is accepted. It can be concluded that H1b: *Human resource capability has a positive effect on the reliability of local government financial reporting.*

Furthermore, hypothesis 2a (H2a) and hypothesis 2b (H2b) have accepted because each of variables has t value is 4,375 and 6,224 with degree of significant 0,000 < 0,005. So it can be concluded that H2a: *Accounting internal control has a positive effect on the timeliness of local government financial reporting* and H2b: *human resource capacity has a positive effect on the timeliness of local government financial reporting*

Discussion

Influence of accounting internal control on financial reporting reliability

Based on the testing results, it can be seen that accounting internal control has a positive and significant effect on the reliability of financial reporting. This means that the more stringent internal controls - such as separation of duties, authorization from the authorities in each transaction, valid transaction evidence on each transaction, and recording of each transaction -, the higher the level of truth or validity of financial statements that can be presented. Thus, it can be said that the report is reliable, which is free from presentation material errors, free from misleading information, and can be verified. These results are consistent with the research conducted by Indriasari and Nahartyo (2008), Azman (2015), and Kosegeran, Kalangi, and Wokas (2016) which state that internal control has a positive and significant influence on the reliability of financial reporting. In other words, internal control encourages someone to carry out their duties more thoroughly and carefully so that more reliable financial reports can be presented.

Influence of human resources capacity on financial reporting reliability

Based on the testing results, it can be concluded that human resources capacity has a positive and significant effect on the reliability of financial reporting. If the capacity increases, the level of reliability will also increase, and vice versa. By having staff or sub-sections with high capacity, financial reporting will become more reliable. High capacity can be indicated by staff who have sufficient qualifications, education levels and majors, suitability between tasks and functions, training and development, and the availability of funds to allow them to participate in these activities. Reliability can also be improved by supporting staff or subsections for further studies, facilitating them to attend training, development, workshops, and seminars, and providing a budget for training employees, purchasing equipment, or supporting facilities. This is in accordance with the research conducted by Kosegeran, Kalangi, and Wokas (2016) which shows that human resource capacity has a positive influence on the reliability of financial reporting.

Influence of internal accounting control on financial reporting timeliness

Based on statistical tests, it can be concluded that internal control has a positive and significant effect on the timeliness of financial reporting. Recording every transaction keeps the report updated. Thus, staff work will not accumulate at the end of the period, which can cause late reporting. With internal control, staff in carrying out their duties are able to assert full control, from planning, procedures, to recording so that they are able to present financial reports in accordance with the specified timeframe.

Influence of human resources capacity on financial reporting timeliness

Based on statistical tests, it can be concluded that human resources capacity has a positive and significant effect on the timeliness of financial reporting. The higher the staff's understanding of their duties and functions, the fewer obstacles they face, and hence can reduce the time needed to complete the task so that timeliness can be achieved. This shows that staff who have adequate abilities will finish the task more quickly. This is consistent with the research of Indriasari and Nahartyo (2008) and Hevesi (2005).

CONCLUSION AND RECOMMENDATION

Conclusion

This study found that accounting internal control and human resources capacity have a positive effect on the reliability of financial statements. If each transaction is supported by authorization from relevant persons and valid evidence, the transaction report will be reliable, free from presentation material errors. Likewise, staff who have sufficient capability will be able to present reliable financial reports.

In addition, accounting internal control and human resource capacity has a positive effect on the timeliness of financial statements. If every transaction is always recorded, the record will remain updated, and will make it easier for staff to complete the report on time. If this is done, the work will not be stacked at the end of the period which causes excessive workload (overload) and time delay. Likewise, staff who have adequate abilities will complete the work more promptly and on time because they already understand the job description.

Recommendation

Further research can be conducted by including other variables that have an influence on the reliability and timeliness of financial reporting such as the use of information technology, financial report supervision, and Government Accounting Standards.

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APPENDIX: Questionnaries

Items
Accounting Internal Control
1. Your financial / accounting subdivision organizes the accounting systems that include:
a. Accounting procedure for cash receipts
b. Accounting procedures for cash expenditure
c. Accounting procedures for asset
d. Accounting procedures for except cash
2. Chart of account of local government is available and used.
3. Transactions cannot be carried out without authorization from the authorities
4. Every transaction that occurs must be supported by valid transaction proof
5. Every transaction is recorded in an accounting notebook
6. Accounting records are kept to up-to-date.
7. Financial reports are reviewed and approved in advance by the head of the finance / accounting subdivision before being distributed
8. The existing accounting system allows an audit / transaction trail.
9. There is a separation of duties in the context of implementing the Regional Budget (APBD).
Human Resource Capacity
1. Your financial / accounting subdivision has a sufficient number of qualified staff.
2. At least 10 percent of your financial / accounting subdivision staff are accounting D3 graduates or higher.
3. Your financial / accounting subdivision has a clear description of roles and functions.
4. The roles and responsibilities of all your financial / accounting subdivisions employees are clearly defined in the regional regulations.
5. The description of your financial / accounting subdivision duties is in accordance with the actual accounting function.
6. There are guidelines regarding accounting procedures and processes.
7. Your financial /accounting sub-section has carried out the accounting process.
8. Your financial / accounting subdivision has sufficient operational support resources.
9. Training to assist mastery & development of skills in the tasks carried out.
10. Funds are budgeted to obtain the resources, equipment, training needed.
Reliability
1. Transactions and other events that are supposed to be presented or which can reasonably be expected to be presented are honestly illustrated in the financial statements.
2. Balance sheet is presented.
3. The budget realization report or APBD calculation report is presented.
4. Notes to financial statements are presented.
5. Information presented in financial statements can be tested.
6. Reconciliation is carried out periodically between accounting records and bank records or external party records that require confirmation or reconciliation.
7. Information is directed at general needs and does not favor the needs of certain parties.
Timeliness
1. Information needed is immediately available when requested.
2. Reports are often provided systematically and regularly, for example: daily reports, weekly reports, monthly reports, semester reports, and annual reports (if reports are rarely available, give a sign on number one).
3. The following reports are submitted systematically and regularly:
a. First semester realization report
b. Budget realization report or APBD calculation report
c. Balance Sheet
d. Notes to Financial Statements

Source: Indriasari and Nahartyo (2008)