



Factors Affecting the Quality of Regional Financial Reports

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Abstract

Factors that affect the quality of regional financial reports are the oversight and transparency of local government budgets contained in the Regional Financial Reports. In regional financial reports, budget oversight and transparency are risk factors in the quality of financial reports. Meanwhile, the strict supervision of the financial audit agency in managing the budget, sometimes fraud occurs. So that with the transparency of the regional budget it can be easier to control every expenditure made by the Supreme Audit Agency and the community itself. In this study the factors affecting financial quality seen from the aspects of supervision and transparency have a significant positive effect.

Keywords: Supervisor; transparency; Quality of Regional Financial Reports.

Received 01 August, 2023; Revised 09 August, 2023; Accepted 11 August, 2023 © The author(s) 2023. Published with open access at www.questjournals.org

I. INTRODUCTION

Good regional financial reports must have the quality of providing relevant information. Regional financial reports are carried out periodically in a 1 year period, with the aim of preparing regional financial reports is to find out the budget that has been used and its usefulness for the benefit of the community. Regional financial reports cover government operational tasks, determine standards in compliance with applicable regulations, evaluate the effectiveness and efficiency of regional coconut entities, and evaluate the development and growth of regional finance.

Regional financial reports are prepared according to government accounting standards, with the division of tasks for implementing regional financial reports prepared by the financial management department, while consolidated reports are prepared by the work units of the respective regional apparatus. Each region is given the right to manage its own finances or has implemented regional autonomy, in which each regional affair is the responsibility of the regional head in the welfare of its people. The direct impact of the delegation of authority by the central government to the regional governments is that the regions in compiling specific regional financial accountability reports on the Regional Income and Expenditure Budget are directly inspected by the Regional Finance Agency. So that with this transparency increases the accuracy of regional financial reports.

The Taliabu Island Regency Government received opinions with exceptions and the 2021 TA LKPD for 10 Regional Governments. Fair opinion with the exception of only one regional authority, namely Pulau Taliabu Regency. The Regional Government Financial Report (LKPD) in 2021 provided a WTP Opinion, while the previous year the Taliabu Regency Government received a non-opinion opinion (TMP).

According to Komang (2022) said that the results of the study showed that transparency and regional financial supervision had a positive and significant effect on the quality of financial reports. The results of this study were also supported by Sriwijayanti (2018) who stated that transparency, accountability and utilization of SIAKD had a significant effect on quality regional financial reports either partially or simultaneously.

The internal control system must be monitored to obtain an adequate level of assurance regarding, among others, the effectiveness and efficiency of the organization, the accuracy of financial reporting, and compliance with laws and regulations. This is supported and in line with Putra's research findings (2017) that financial supervision has a positive and significant effect on the quality of regional financial reports.

With the explanation above, researchers want to conduct research with the title "Regional Financial Report Analysis of Regional Financial Oversight and Transparency". The purpose of this study was to determine the effect of supervision and transparency on the quality of financial reports in Pulau Taliabu Regency.

II. RESEARCH METHODS

Descriptive quantitative methodology was used in this study. Financial supervision and transparency are the two independent variables (X) which are the subject of this study. With this research instrument, data was collected through the use of a questionnaire. The data were then analyzed using various analyses, such as descriptive statistics, conventional assumption tests, and multiple regression analysis, with the help of SPSS version 25 for data presentation. The subject of this research is the Government of Pulau Taliabu Regency. While financial supervision (X1), transparency (X2), and quality of financial reports (Y) are the main research objectives of this study. The general area known as population consists of the things or subjects that the researcher chooses to study and then draws conclusions because they have certain qualities and characteristics. In addition, the population includes all the characteristics and characteristics of the object or subject under study (Sugiyono, 2017). Therefore this study used 80 samples.

III. RESULTS AND DISCUSSION

The results of this study include the results of descriptive statistical tests and hypothesis testing. Descriptive test was conducted to determine the mean, median, minimum and maximum values and standard deviation. The results of the descriptive test can be seen in table 1, as follows;

Table 1. Descriptive Test Analysis Results

	X1	X2	Y
N	80	80	80
Means	18,225	19.1625	19.9625
Median	18	19	21
Mode	16	17	23
std. Deviation	4.2634	3.816831	3.480302
Minimum	10	13	14
Maximum	25	25	25
sum	1458	1533	1597

Source: SPSS output, data will be processed in 2023

Based on the results of the descriptive test analysis in table 1, it can be seen that the amount of data is 80 data. In X1 which is a financial control variable, it has an average value of 18.225 and a standard deviation of 4.2634 with a minimum value of 10 and a maximum value of 25 for this variable. Then for the variable X2 or the transparency variable it can be seen that the descriptive test analysis above shows an average value the average is 19.1625 with a standard deviation of 3.816831. variable X2 also shows a minimum value of 13 and a maximum value of 25. As for variable Y, which is a variable of financial report quality, it shows an average value of 19.9625 and has a standard deviation value of 3.480302. This financial report quality variable is known to have a minimum value of 14 and a maximum value of 25 as well.

In this way the descriptive test above shows that the assumption test has been fulfilled which will then be carried out to test the hypothesis. The hypothesis test carried out in this research is to use multiple linear regression tests. This analysis involves more than one predictor variable (X) which is used to determine the effect of several independent variables on the dependent variable (Ghozali, 2016). Following are the results of multivariable linear regression analysis by looking at the SPSS output in the following model summary table:

Table 2. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	std. Error	Betas			
1	(Constant)	3,276	.782		11,732	.001
	X1	0.526	.098	.648	3,326	.003
	X2	0.003	.047	.007	1,473	.031

Source: SPSS Outputs

Based on table 2. The results of multiple linear regression tests, it can be written the regression equation obtained, namely

$$Y = 3.276 + 0.526 X1 + 0.003 X2$$

In the equation above, it is known that Y is the dependent variable to see the quality of regional financial reports. The independent variables, namely X1 and X2 are the variables of regional financial supervision and transparency respectively. From table 2, the regression coefficient value of variable X1 is obtained, which in this study is financial supervision of 0.526, which means positive. This means that regional financial supervision has a positive effect on the quality of financial reports. The significant value of financial supervision or X1 is 0.003 where this value is smaller than 0.05 at the 5% significance level. So that the hypothesis that is built can explain that supervision has a significant influence on the quality of regional financial reports.

From table 2, it is also found that the variable X2 or transparency has a regression coefficient value of 0.526, which means it has a positive influence. The significance of the transparency variable is 0.031, which means it is smaller than the 5% or 0.05 significance level. This shows that the transparency variable has a significant and positive influence on the quality of regional financial reports.

Effect of Financial Supervision on Regional Financial Reports

The influence of supervision on regional financial reports has a significant positive effect according to the results of Hypothesis H2. This is shown by several aspects that have been implemented by the Taliabu Island Regency Government, one of which is the supervision aspect. All regional financial reports from the preparation of reports to regional accountability reports are the responsibility of a regional head who is examined by the Supreme Audit Agency. Each regional financial report should be open to the public and can be trusted, accompanied by supporting documents such as documentation and proof of transactions carried out by the regional government. Reports that are of good quality and consistent with reality can easily gain public trust. Like the results of research conducted by Novirahayu (2022) which said that regional financial supervision has a positive and significant effect on the quality of financial reports. Supervision is carried out as a process of ensuring that the budget used by the regional government can run effectively and efficiently in accordance with the plans and provisions of applicable regulations and in line with the interests of the community, not the personal interests of the head of the regional government.

The Effect of Transparency on the Quality of Regional Financial Reports

The effect of transparency on the quality of regional financial reports, based on the results of the multiple linear regression above, shows that transparency has a significant positive effect according to the results of the hypothesis built. This is indicated by several aspects that have been carried out by the Taliabu Island Regency Government, namely showing the openness or transparency of the reports that have been made. Transparency or openness is an element of the quality of financial reports. This is because good and appropriate financial reports are able to fulfill this transparency requirement. Even though Pulau Taliabu Regency is a new autonomous region after it was approved as a division area from the Sula Islands Regency, based on the results of the research it shows that Pulau Taliabu Regency has shown the transparency side of regional financial reports. According to Mardiasmo (2006) The definition of transparency is as follows "Transparency means the openness of the government to provide information about public resource management practices to parties who need information. The government is required to provide financial and other information that will be used by interested parties to make decisions.

Rahayu, et al. 2022 says that transparency is financial information that is disclosed and honest to the public, bearing in mind that the public has the right to full and open knowledge about accountability in resource management.

IV. CONCLUSION

Financial supervision has a significant positive effect on the quality of financial reports. Meanwhile, based on the results of hypothesis testing, it shows that transparency has a significant positive effect on the quality of financial reports. The results of this study should be used as input and consideration for local governments in improving the quality of local government financial reporting. For stakeholders regarding the reliability of local government financial information, it is recommended to increase publicity or transparency and monitor financial information closely. reliable local government financial information, need to increase publicity, transparency and strict control of financial information.

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