



## THE EFFECT OF HUMAN RESOURCES, INTERNAL CONTROL SYSTEMS, AND IMPLEMENTATION EFFECTIVENESS OF VILLAGE FINANCIAL SYSTEMS ON VILLAGE FINANCIAL STATEMENTS QUALITY (SURVEY ON ENTIRE VILLAGE IN BANTUL DISTRICT)

### **Bambang Jatmiko**

Universitas Muhammadiyah  
Yogyakarta  
[bambang\\_jatmiko65@yahoo.com](mailto:bambang_jatmiko65@yahoo.com)

### **Nano Prawoto**

Universitas Muhammadiyah  
Yogyakarta

### **Rini Juni Astuti**

Universitas Muhammadiyah  
Yogyakarta

### **Desy Wulandar**

Universitas Muhammadiyah  
Yogyakarta

### **ABSTRACT**

This research aims to examine and analyze the effect of the work. The research objectives are the following: (1) to test and prove empirically the effect of human resources on village Financial Reports Quality; (2) to test and prove empirically the effect of internal controls on the village Financial Reports Quality. (3) to test and prove empirically the effectiveness of Village Financial System (SISKEUDES) on the village Financial Reports Quality. The research object was villages in Bantul Regency. The samples were 43 villages selected by purposive sampling method. The respondent targets were village heads, village secretaries, or financial staff. This study uses a quantitative method with primary data collection by questionnaires. The study results show that human resources in villages of Bantul Regency are still low due to lack of training and experience to make financial reports. The internal control system of villages in Bantul Regency is quite satisfactory. They have understood the procedures of their respective main tasks and functions, the risks faced by their mistakes and frauds. The Village Financial System in villages of Bantul Regency has been effectively implemented because all villages have used the Village Financial System application in order all the financial reports can be directly accounted for by the central government.

**Keywords:** Human Resources, Internal Control System, SISKEUDES, Village Financial Reports Quality

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### **INTRODUCTION**

Act Number 6 of 2014 stated that villages are a legal community unit that has territorial limits that are authorized to regulate and managing government affairs, interests of local communities in accordance with community initiatives, rights and proposals or traditional rights that are recognized and respected in State government system the Unitary Republic of Indonesia. The village government is the village head and village officials who help with the implementation of village administration. The village head has the obligation to implement the principles of village governance that is accountable, transparent, professional, effective and efficient, and free from collusion, corruption, and nepotism. These principles must be applied by a village head because they are supported by a large number of village budgets received by the village.

Village Income and Expenditure Budget (APBDesa) in accordance with the Minister of Home Affairs Regulation No. 113 of 2014, consists of village income, village expenditure,

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and village financing. Village income consists of money receipts through village accounts as village rights in a budget year which does not need to be repaid by the village. Village income consists of three groups; (1) Village Original Income Group (PADesa), namely, results of operations, assets, self-help, participation and mutual cooperation; (2) The transfer group consists of village funds, results of regional taxes and retribution from regency / city each village get 10%, Village Fund Allocation (ADD), financial assistance from Provincial APBD, and District / City APBD financial assistance; (3) Other income groups - others, namely grants and donations from non-binding third parties, and other legitimate village income. Village expenditure is the distribution of village accounts which are village obligations in one year, payment of which will not be recovered by village, village expenditure is used to fund the village program. Village financing is all receipts that need to be paid back or expenditures that will be received again, both in relevant fiscal a year and in the following fiscal year.

The problem in this study can be seen from Special Region of Yogyakarta BPKP reports that from 2015 to 2017 Bantul Regency received Unqualified Report opinion. Even though in previous years Bantul Regency Yogyakarta only received Qualified Report and Unqualified Report with explanatory paragraph opinions. The change in Unqualified Report opinion over the past three years is a proud ignition for Bantul Regency, but the increase in opinion certainly requires the Bantul Regency government to maintain BPKP's opinion to stay on Unqualified Report. Table 1 shows BPK's opinions for Bantul Regency from 2007 to 2017.

**Table 1. Financial Statements of Bantul Regency year 2007-2017**

<b>BPKP Opinion at Local Government of Bantul Regency, Yogyakarta</b>	
<b>Year</b>	<b>Opinion</b>
2007	Qualified Report
2008	Qualified Report
2009	Qualified Report
2010	Qualified Report
2011	Qualified Report
2012	Unqualified Report-with explanatory paragraph
2013	Unqualified Report-with explanatory paragraph
2014	Unqualified Report-with explanatory paragraph
2015	Unqualified Report
2016	Unqualified Report
2017	Unqualified Report

Description: BPKP is Supervisory Agency for Financial and Development

Source: [www.bpk.go.id](http://www.bpk.go.id) - IHPS Semester II of 2012 and 2018

Although Bantul Regency has received Unqualified Report opinion three times in a row, but the 2015 Examination Results Report, Yogyakarta Special Region BPKP (Supervisory Agency for Financial and Development) found two cases in two Bantul District Villages, first involving state losses allegedly with a loss of Rp 1.4 billion, namely on deviation of Direct Cash Assistance (BLT) for post-earthquake rehabilitation and reconstruction in hamlets I and II of Dlingo Village, Dlingo Sub-District, Bantul Regency, 2007. The second case is in case of alleged corruption in local revenue management, Sriharjo Village

Imogiri District, Bantul Regency. This indicates that the quality of reports made by Bantul Regency Government of Yogyakarta has not fulfilled the quantitative characteristics of financial statements so that the quality of financial statements has not been optimal. Problems related to the financial statements of Bantul Regency, including internal control systems that are not well implemented, then from compliance with laws and regulations because there are still many devices that are not compliant and ineffective in using accounting information systems, some village government officials do not optimize usage accounting information system that has been provided by government. Special Region of Yogyakarta has 392 villages in 4 districts, it is known that BPKP DIY oversees village financial accountability in the form of socialization of village fund management for village development and supervision in 2017 fiscal year. The implementation of the Village Financial System on August 31, 2017, reaching 100%. It means that all DIY villages have applied Village Financial System, as well as districts that will be the object of this research. Table 2 shows the achievements of the Village Financial System implementation on August 31, 2017:

**Table 2. The implementation of Village Fund Management Socialization for Village Development and Supervision in 2017 Budget Year**

No	Province	Villages	Socialization		Technical Guidelines		Implementation			
			Districts/City	Villages	Districts/City	Villages	Districts/City	Villages	%	
1	Aceh	6,497	19	5,261	18	5,187	15	4,602	70.83%	
2	South Sumatera	5,418	24	4,652	24	4,652	21	4	132	76.26%
3	West Sumatera	928	14	884	14	867	13	718	77.37%	
4	Riau	1,592	10	1,592	10	1,592	8	1,294	81.28%	
5	Riau Islands	275	5	275	5	275	5	275	100.00%	
6	Jambi	1,399	9	1,122	9	1,118	7	743	53.11%	
7	South Sumatera	2,859	14	2,856	14	2,856	8	1,420	49.67%	
8	Bangka Belitung	309	6	309	6	309	6	309	100.00%	
9	Bengkulu	1,341	7	1,114	6	896	6	722	53.84%	
10	Lampung	2,435	13	2,435	12	1,850	8	1,048	43.04%	
11	Banten	1,238	4	1,238	4	1,238	2	572	46.20%	
12	West Java	5,312	19	5,312	17	4,665	10	2,719	51.19%	
13	Central Java	7,809	27	6,051	19	4,209	12	2,911	37.28%	
14	DI Yogyakarta	392	4	392	4	392	4	392	100.00%	
15	East Java	7,724	30	7,724	23	6,087	23	4,244	54.95%	
16	West Kalimantan	2,031	11	1,706	7	754	6	667	32.84%	
17	South Kalimantan	1,865	11	1,865	11	1,755	10	1,478	79.25%	

Source : <http://www.djpk.depkeu.go.id/wp-content/uploads/2017/09/Sosialisasi-bagi-Pengawasan-Pengelolaan-Dana-Desa.pdf>

The Village Financial System (SISKEUDES) implementation is expected to help the village heads and village officials to produce documents and reports related to the village financial management needed by leadership accurately and on time (Yusup, 2016)

The effectiveness level of implementation of financial management information the system as a whole is included in effective criteria and has a significant effect on the quality of financial statements (Dewi and Mimba, 2014) As with research conducted by Surastiani and Handayani (2015) that use of information technology does not affect the quality of financial statements. Based on the above, the researcher was interested in the title: "The effect of Human Resources, Internal Control Systems, and Effectiveness of Village Financial System on Quality of Financial Reports (Survey of All Villages in Bantul Regency, Yogyakarta)". The formulation of a problem is as follows: (1) Does human resources have a positive effect on village Financial Reports Quality ?; (2) Does the internal control system have a positive effect on village Financial Reports Quality ?; (3) Is the effective Village Financial System usage has a positive effect on village Financial Reports Quality ?. While the research objectives are as follows: (1) to test and prove empirically the effect of human resources on village Financial Reports Quality; (2) to test and prove empirically the effect of internal controls on village Financial Reports Quality. (3) to test and prove empirically the use of Village Financial System which is effective against the village Financial Reports Quality.

### **LITERATURE REVIEW**

#### **Stewardship Theory**

Stewardship theory is a theory commonly used in the realm of the public sector because in theory of stewardship managers behave according to common interests. When there is a difference of interests, Steward as the manager will end up against it, because it is considered more rational to achieve organizational goals. Stewardship theory assumes that a strong relationship between organizational success and owner satisfaction. Stewards try to maximize organizational wealth with company performance (Raharjo, 2007) Stewardship theory argues that steward performance is affected by structural situations where he is an effective facilitator. If the implementation is in accordance with the model underlying the theory of stewardship, empowerment of structures and mechanisms of government is considered appropriate. Thus, steward independence must be extended to maximize the benefits of a steward, because he should be trusted. In this case, resources needed to ensure the pro-organizational behavior of individual agents, namely, monitoring and incentives and bond costs are reduced, because staff are motivated to behave consistently for organizational purposes (Davis et al., 1997)

### **HYPOTHESIS**

#### **Effect of human resources on village Financial Reports Quality**

Human resources are considered necessary to understand and apply accounting science so that reports that are made more qualified and trustworthy, so that human resources recruited by companies or organizations should have competence and capacity to comply with existing regulations. Therefore, better the human resources, better the quality of financial statements presented. The previous research that supports the above statement is that research conducted by Darwanis and Mahyani (2009) has the capacity of human resources to affect the reliability of financial reporting of regional governments partially. Human resource capacity has a positive and significant effect on financial reporting quality. Kiranayanti and Erawati's research (2016) concluded that human resource competency has a positive effect on the quality of regional financial statements. The results showed that higher the competency of human resources, higher the effect on the quality of financial statements. Then the research from Lasmara and Rahayu (2016) which concluded that human resource competency affects the quality of

financial statements, meaning that if human resource competencies are carried out properly, quality of financial statements will be achieved. so the reduction in hypothesis proposed is:

**H<sub>1</sub>: Human resources have a positive effect on village financial statements quality.**

**The internal control system affects the village Financial Reports Quality**

The internal control system is applied by organizations and companies to become a management tool that is useful for checking the accuracy and reliability of accounting data. The accounting system is very vulnerable to errors in recording and calculation and other irregularities that aim to harm the organization. The existence of an internal control system is expected to be able to process accounting transactions carefully and minimize the risk of errors and errors. According to the research of Darwanis and Mahyani (2009), internal accounting controls have an effect on increasing the reliability of financial reporting of local governments. Yudianta and Erawati (2012) state that an internal control system has a positive effect on the quality of accounting information. The internal control system variables have a positive and significant effect on the quality of regional financial reporting. The study was also supported by Kiranayanti and Erawati (2016) who concluded that internal control system had a positive effect on the quality of financial statements. The study results indicate that higher the implementation of the internal control system, higher the impact on the quality of financial statements. Likewise with Siwambudi, et al (2017) study that internal control system has a positive effect on the quality of financial statements of the local government of Klungkung Regency. Therefore the hypothesis proposed is as follows:

**H<sub>2</sub> : The internal control system has a positive effect on village Financial Reports Quality.**

**Effectiveness of use of Village financial system (SISKEUDES) on village Financial Reports Quality**

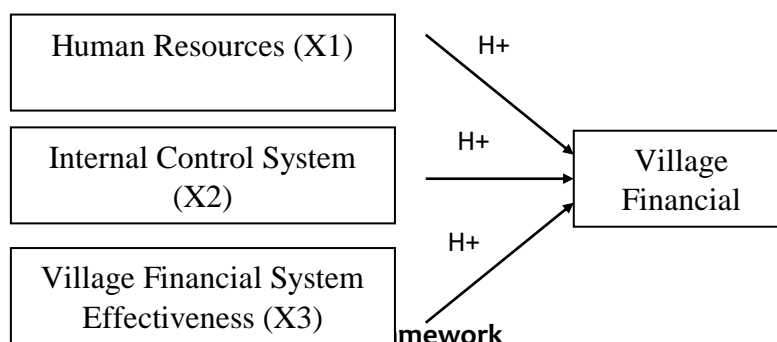
The village accounting information system is very important for the continuity of the recording process in the village. The latest accounting information system issued by the government, Village Financial System, is considered an effective application for the village head and his apparatus to carry out financial management which then becomes the village financial report. This statement was supported by the research of Dewi and Mimba (2014) that the effectiveness of information systems application for regional financial management in Denpasar City government as a whole was included in effective criteria and had a significant effect on the quality of financial statements. The utilization of regional financial information systems has a positive and significant effect on the quality of regional financial reporting. Yusup's research (2016) said that the application of information systems for regional financial management had an effect on the quality of regional financial statements. Likewise according to Gayatri and Latrini (2018) who say that application of Village Financial System is effective for managing village funds towards the village Financial Reports Quality.

**H<sub>3</sub> : The Village Financial System Effectiveness has a positive effect on Village Financial Reports Quality**

**Research Model**

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The research model is used to show the analysis structure of the research. The research model of this research is shown in figure 1.



**RESEARCH METHODOLOGY**

**Object**

The research object is the research target that will be carried out with a specific purpose and usefulness which finally can obtain data of an objective thing and then can be concluded (Triyanto, 2017) The object in this study was Bantul Regency, Yogyakarta. Bantul Regency was chosen because the villages in Bantul Regency have been used Village Financial System. Bantul Regency has an area of 506.85 Km<sup>2</sup> (15.905 of the area of Special Region of Yogyakarta (DIY)) with a population of 919,440 people. Subdistricts in all Bantul regencies, 17 sub-districts, 75 villages, and 933 villages. The detail is shown in table 3.

1 TABLE 3. NAMES IN BANTUL DISTRICT, YOGYAKARTA

No	Sub-district	Coverage	Village	Sub-Village	Head of Sub-district
1.	Banguntapan	28,48 Km <sup>2</sup>	8	57	Drs. Fathoni
2.	Jetis	24,47 Km <sup>2</sup>	4	64	Dra.Endang Rachmawati, MM
3.	Pleret	22,97 Km <sup>2</sup>	5	47	ALWI, SH, M.Hum
4.	Bambanglipuro	22,70 Km <sup>2</sup>	3	45	Yulius Suharta, M.Si
5.	Sewon	27,16 Km <sup>2</sup>	4	63	Drs. Danang Erwanto, M.Si
6.	Imogiri	54,49 Km <sup>2</sup>	8	72	Tri Tujiana, AP,MM
7.	Kretek	26,77 Km <sup>2</sup>	5	52	Cahya Widada, S.Sos, MH
8.	Sanden	23,16 Km <sup>2</sup>	4	62	Slamet Santosa, S.IP
9.	Srandakan	18,32 Km <sup>2</sup>	2	43	Drs. Sukirna
10.	Sedayu	34,36 Km <sup>2</sup>	4	54	Drs.Fauzan Muariffin
11.	Pandak	24,30 Km <sup>2</sup>	4	49	Dra. Sri Kayatun
12.	Pajangan	33,25 Km <sup>2</sup>	3	55	Drs. Sambudi Riyanta
13.	Kasihani	33,38 Km <sup>2</sup>	4	53	Drs. Susanto
14.	Piyungan	32,54 Km <sup>2</sup>	3	60	Drs. Saroyo Heriyanto
15.	Bantul	21,95 Km <sup>2</sup>	5	50	Sunarso, SH,M.Si
16.	Pundong	23,68 Km <sup>2</sup>	3	49	Sri Umayati, SH.
17.	Dlingo	55,87 Km <sup>2</sup>	6	58	R. Jati Bayubroto, SH,M.Hum

Source : <https://www.bantulkab.go.id/kecamatan/>

**3.1 Type of Data**

This is quantitative research with primary data types. Primer data is data obtained directly by researchers from interviews, observations, and questionnaires. This study will use a questionnaire, which will then be filled out by respondents, namely the village head or village employee who functions as the village financial manager. Then the research data source was obtained from the results of filling out the questionnaire.

### Sampling Technique

Sugiyono (2010) said that population was an area consisting of objects or subjects that have certain qualities and characteristics and have been determined by researchers to be studied further. The population in this study were villages in Bantul Regency, Yogyakarta, which numbered 75 villages. While the sample is part of the population selected to be the subject of research that is considered to be able to describe the population. The sample in this study is some villages in Bantul Regency, Yogyakarta. The sampling technique in this study was conducted by purposive sampling. Hartono (2016) said the purposive sampling is done by taking samples from the population based on certain criteria. Criteria are determined based on certain judgments. The criteria used for this study are below:

- Village heads or village officials who function as Village financial managers in Bantul Regency.
- Villages that use the Village Financial System application, this is to support one of the variables studied.
- Villages that are used as research sites must have aspects of ease in reaching the information needed so that required data collection becomes easier to obtain an effective, efficient and economical.

To determine the number of samples to be used in this study, researchers used the Slovin formula with an error rate of 10% (Husein, 2011):

$$n = \frac{N}{1 + N(\alpha)^2}$$

Detail :

n = Sample size

N = Population size

$\alpha$  = error rates that are tolerated (10%)

$$n = \frac{N}{1 + N(\alpha)^2}$$

$$n = \frac{75}{1 + 75 (10\%)^2}$$

$$n = 42,8571 \text{ or totaly } 43 \text{ desa}$$

### Data Collection Technique

Hartono (2016) said that the data collection techniques are an integral part of research design. The right data collection target can increase the value of research. Data collection techniques can be in the form of questionnaires, interviews, and observations. Whatever data collection techniques are used there must be advantages and disadvantages. Data collection techniques in this study used a questionnaire. The questionnaire is a list of questions that have been formulated before, then the respondent answers the question. The questionnaire will be given to the respondent

directly. The measurement of questionnaire instrument uses five-point Likert scale from 1 for Strongly Disagree (SD) up to 5 with opinion of Strongly Agree (SA) The Likert scale measurement is in accordance with tested variables, namely human resources, internal control systems, effectiveness of implementation of Village financial system, and village Financial Reports Quality.

### **Operational Definition**

Operational definitions are definitions of variables used in research or explain characteristics of objects into observable elements that cause concepts to be measured and operationalized in research (Hartono, 2016). Sekaran and Bougie (2017) said that variables are valued difference or change. Values can be different at various times or for the same object or person, or for the same time for different objects or people. This study consists of two variables, namely the independent variable and dependent variable.

### **Independent Variables**

The independent variable affects the dependent variable, both positively and negatively (Sekaran and Bougie, 2017) This study uses three independent variables, namely human resources, internal control systems and effectiveness of Village Financial System.

#### **Human Resourcer**

Human resources are elements play an important role in maximizing or helping to achieve organizational goals to run effectively, efficiently and economically (Astuti, 2018) The measurement of human resource variables in this study uses instruments from research conducted by Triyanto (2017), with several indicators, namely:

- 1) Responsibility
- 2) Training
- 3) Experiences

### **Internal Control System**

An internal control system is a management tool used by an agency or institution in the process of running a transaction that will be converted into a document or reports which will then be used by the leader for decision making. An internal control system that is owned by an agency or institution should be good and in accordance with procedures that have been ordered in government legislation. The measurement of internal control system variables in this study is to use instruments from Sudiaranti's research (2015) With indicators as follows:

- 1) Control Environment
- 2) Risk assessment
- 3) Control Activity
- 4) Monitoring

#### **a. Village Financial System Effectiveness**

Effectiveness is defined as the achievement of an agreed-upon activity on a joint venture (Livari in Dewi and Mimba, 2014) According to Ramezan (2009) interpreting the effectiveness of a matter regarding results causes and consequences and being the opposite of success from achieving the results of initial planning. Bondar in Dewi and Mimba (2014) Indicators used to measure the Village Financial System Effectiveness, namely:

- 1) Data security



- 2) Speed and Timeliness
- 3) Accuracy
- 4) Report Variation or output, and
- 5) System Relevancy

## **Data Analysis and Hypothesis Testing**

### **Test of Classical Assumptions**

The classic assumption test aims to avoid bias so that data can be processed and resulting valid regression model because it meets the classical assumptions. Classic assumption test consists of a normality test, multicollinearity test, and heteroscedasticity test.

#### **Normality Test**

Nazaruddin and Basuki (2017) said that normality test was useful to determine whether data collected is normally distributed or taken from a normal population. Data is said to be normally distributed if the data is collected more than 30 numbers. But data > 30 digits is not necessarily normal distribution and vice versa. The normality test in this study uses the One-Sample Kolmogorov-Smirnov Test, which is by analysis if the value is significant at Kolmogorov-Smirnov  $< 0.05$ , data does not spread normally. Conversely if the significant value of Kolmogorov-Smirnov  $> 0.05$ , then the data spread normally.

#### **Multicollinearity Test**

Multicollinearity the test is used to determine a significant correlation between independent variables. If there is a high correlation between the independent variables, it causes the relationship between the independent variable and the dependent variable to be biased (Sugiyono, 2013) According to Nazarrudin and Basuki (2017) the multicollinearity the test can be seen through the value of Variance Inflation Factors (VIF), value criteria of VIF namely,  $VIF < 10$  and tolerance  $> 0.1$ , there is no multicollinearity, meaning there is no significant correlation between independent variables.

#### **Heteroscedasticity Test**

Nazaruddin and Basuki (2017) said that heteroscedasticity test determines the variance of residual inequality. Heteroscedasticity tests are needed to determine deviations from classical assumption requirements in the regression model. Instruments that are declared not experiencing heteroscedasticity if the sig value  $>$  the alpha value is 0.05 and vice versa.

#### **Autocorrelation Test**

Nazzarudin and Basuki (2017) said that autocorrelation test is used to explain a correlation between residuals in one observation or another observation in regression model. Data is stated not to have autocorrelation if the Durbin Watson (DW) value is between -2 to +2 (Ghozali, 2009)

#### **Hypothesis testing**

Hypothesis testing is used to determine the effect of independent variable on dependent variable affect, both positively and negatively. The hypothesis test used is as follows:

### **Multiple Linear Regression Analysis**

Ghozali (2009) said the multiple linear regression analysis was used to determine the effect of two or more independent variables on one dependent variable. In this study multiple linear regression will be used to determine whether human resources, internal control systems and Village Financial System Effectiveness affect the village Financial Reports Quality.

### **Determination Coefficient Test ( $R^2$ )**

The coefficient of determination test determines the magnitude of the contribution of independent variables to the dependent variable (Nazzarudin and Basuki, 2017). Ghozali (2007) said that the coefficient of determination test is done to find how much the ability of an independent variable to explain its effect on the dependent variable. If the value of the independent variable is more than one, then when testing the coefficient of determination, data that must be seen is the adjusted  $R^2$  value. If adjusted  $R^2$  is getting higher, it can be said that the level of the independent variable in carrying out the dependent variable is getting bigger.

### **The t-test**

The t-test is used to find the partial effect of the independent variable. This study uses 95% confidence with a significance level of 5% (Astuti, 2018) with the following testing criteria:

- If the significant level is  $<0.05$  and regression coefficient is positive, then  $H_a$  is accepted and  $H_0$  is rejected. This means that there is a significant to effect between the independent variables on the dependent variable, and vice versa
- If the significance level is  $>0.05$  and the regression coefficient is negative,  $H_a$  is rejected and  $H_0$  is accepted. This means that there is no sign of the effect between the independent variable and dependent variable.

### **F-Test**

Nazaruddin and Basuki (2017) say that F Test used in multiple linear regression analysis is to determine the effect of independent variables simultaneously or together on dependent variable. The table used to determine the simultaneous effect is the ANOVA Table. The testing criteria are as follows:

- If the significant value is  $<0.05$ , then  $H_a$  is accepted and  $H_0$  is rejected, then the independent variable simultaneously has a significant effect on dependent variable, and vice versa
- If the significant value is  $>0.05$ , then  $H_a$  is rejected and  $H_0$  is accepted, then the independent variable simultaneously does not significantly affect the dependent variable.

## **RESULT AND DISCUSSION**

### **Hypothesis Test Results**

#### **Multiple Linear Regression Test**

Multiple linear regression test is used to find the equations between two or more independent variables with dependent variable. The linear regression test in this study was used to test the equality of human resource variables, internal control systems, and Village Financial System Effectiveness on village Financial Reports Quality. Table 4 shows the results of multiple linear regression testing:

**TABLE 4. MULTIPLE LINEAR REGRESSION TEST RESULTS**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.735	7.574		1.021	.312
	Human Resources (X1)	.221	.161	.187	1.377	.175
	Internal Control System (X2)	.374	.129	.354	2.895	.006
	Village Financial System Effectiveness (X3)	.180	.084	.289	2.148	.037

a Dependent Variable: Village Financial Reports Quality (Y)

Based on 4, the multiple linear regression equation is stated below.

$$KLKD = 7,735 + 0,221X_1 + 0,374X_2 + 0,180X_3 + e$$

Table 4 shows the multiple linear regression equation model has a constant value of 7.735. That is, if human resources, internal control systems, and village financial system effectiveness is considered constant or zero (0), then the quality of financial statements will increase by 7.735. Regression coefficients for human resource variables have a B value = 0.221. That is if the human resource variable increases by one unit, then the dependent variable of quality of village financial report will increase by 0.221 or 22.1%, assuming that other variables are considered constant or zero (zero) The regression coefficient for independent variable internal control system has a B value = 0.374. That is, if the internal control system variable increases by one unit, then the dependent variable of quality of village financial report will increase by 37.4% with assumption if another variable is considered constant or zero (0) Regression coefficients for village financial system effectiveness (with a value of B = 0.084. That is if the village financial system effectiveness has a one unit increase, value of the dependent variable quality of village financial report will increase by 8.4%, with the assumption that value of another variable is constant or zero (0)

#### 4.1.2. Determination Coefficient Test (R<sup>2</sup>)

Ghozali (2007) said the coefficient of determination test is done to find the ability of independent variable to explain its effect on dependent variable. To find the results of testing the coefficient of determination, what is seen is the value of Adjusted R Square. Table 5 shows the determination coefficient test (R<sup>2</sup>):

**TABLE 5. DETERMINATION COEFFICIENT TEST RESULTS (R<sub>2</sub>)  
Summary Model (b)**

Model	R	R Square	Adjusted R Square	Std. Error of Estimate	Durbin-Watson
1	.635 <sup>a</sup>	.404	.365	2.843	1.733

a Predictors: (Constant), Human Resources (X1), Internal Control Systems (X2), Village Financial Systems Effectiveness (X3)

b Dependent Variable: Village Financial Reports Quality (Y)

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Table 5 shows that Adjusted R<sup>2</sup> value is 0.365. It means that variable village financial statements quality can only be explained by three variables (human resources, internal control systems, and effectiveness of village financial system) of 36.5% while the rest 63.5% is explained in other variables.

### 4.1.3 The t-test

The t test is used to find the partial effect of each independent variable on dependent variable. Variables are said to have a significant effect if the sig value is <0.05. To determine the results of t test can be seen from Unstandardized Coefficients B (Beta) and the direction, whether positive or negative. Table 6 shows the t test results.

2 TABLE 6. THE T-TEST RESULT

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.735	7.574		1.021	.312
	Human Resources (X <sub>1</sub> )	.221	.161	.187	1.377	.175
	Internal Control System (X <sub>2</sub> )	.374	.129	.354	2.895	.006
	Village Financial System Effectiveness (X <sub>3</sub> )	.180	.084	.289	2.148	.037

a Dependent Variable: Village Financial Report Quality (Y)

The hypothesis testing results are explained below.

#### a. The Effect of Human Resources on Village Financial Reports Quality

Table 6 shows that Human Resources has a significant value of 0.175 > alpha value ( $\alpha = 0.05$ ) and value of B shows the direction of positive regression with a value of 0.221. It means that Human Resources have a positive effect on village financial statements quality partially. H<sub>1</sub> hypothesis is rejected.

#### b. The Effect of Internal Control System on Village Financial Reports Quality

Table 6 shows that Internal Control System variable has a significant value of 0.006 < alpha value ( $\alpha = 0.05$ ) and B value shows the direction of positive regression with a value of 0.374. That is, Internal Control System Has a Positive Impact on Village Financial Reports Quality partially. However, H<sub>2</sub> hypothesis is accepted.

#### c. The Effect of Effectiveness of Village Financial System Implementation (SISKEUDES) on Village Financial Reports Quality

Table 6 shows that Village Financial System Effectiveness affects on Village Financial Report Quality at value of 0.037 > alpha value ( $\alpha = 0.05$ ) and B value shows the direction of positive regression with a value of 0.199. That is, Effectiveness of Implementation of Village Financial System Has a Positive Effect on Village Financial Reports Quality and H<sub>3</sub> hypothesis is accepted.

Table 7. Summary of Hypothesis Tests

Code	Hypothesis	Result
H <sub>1</sub>	Human Resources Have a Positive Impact on Village Financial Reports Quality	Rejected
H <sub>2</sub>	The Internal Control System Has a Positive Impact on Village	Accepted

Code	Hypothesis	Result
	Financial Reports Quality	
H3	The Effectiveness of Application of Village Financial Village Financial System Has a Positive Effect on Quality of Village Reports	Accepted

#### 4.1.4 F-Test

The F test is a test conducted to determine whether each independent variable has a simultaneous / joint effect on dependent variable. In F Test, value seen is sig in ANOVA table. This study uses a probability level of 0.05. With provisions, if the value of sig > 0.05 then Ha is rejected, and vice versa if the value of sig < 0.05 then Ha is accepted. Table 8 shows the F test results.

**TABLE 8. F-TEST RESULTS**  
**ANOVA(b)**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	251.730	3	83.910	10.382	.000(a)
Residual	371.790	46	8.082		
Total	623.520	49			

a Predictors: (Constant), Human Resources (X<sub>1</sub>), Internal Control Systems (X<sub>2</sub>), Effectiveness of Application of Village Financial Systems (X<sub>3</sub>)

b Dependent Variable: Village Financial Reports Quality (Y)

Table 8 shows the F value of 10.382 and significant at value of 0.000 < alpha value ( $\alpha = 0.05$ ) This means that variables of Human Resources (X<sub>1</sub>), Internal Control Systems (X<sub>2</sub>), and Effectiveness of Village Financial System Implementation (X<sub>3</sub>) simultaneously affect on Village Financial Reports Quality (Y)

## DISCUSSION

### Effect of Human Resources on Village Financial Reports Quality

The first hypothesis (H<sub>1</sub>) results show that human resource variable does not affect the village financial statements quality, with a significant value of 0.175 > alpha value ( $\alpha = 0.05$ ) This means that human resources do not affect the village Financial Reports Quality, so H<sub>1</sub> is rejected. The results of this study are inconsistent with research conducted by Darwanis and Mahyani (2009) Research Kiranayanti and Erawati (2016) and Lasmara and Rahayu (2016) which state that human resources affect quality financial statements. Human resources are important things to advance an agency/organization and organization so that every human resource must have the ability in accordance with the field they are engaged in. The cause of human resources does not affect the village Financial Reports Quality in this study is that dimensions of human resources have not been fulfilled such as responsibility, experience, and training. In figure 4.4, it is explained that 42% of village officials have final education at the senior high school level. According to Kiranayati and Erawati (2016), Human resources related to the system are required to have adequate accounting expertise or must have the willingness to continue learning and add expertise in the field of accounting. So in this study, it was assumed that village head or village employee did not understand the roles and functions of village financial management did not carry out tasks according to the actual accounting function and did not work in accordance with guidelines regarding the

existing accounting process. For training dimension, village heads and village officials have not received training to be able to support the ability to work in the accounting field, not yet understanding the training material. For the experience dimension, village heads, and village officials do not have experience in carrying out tasks in the accounting field and have not been able to reduce work errors. If the human resources managing the financial statements do not have a lot of knowledge regarding the preparation and presentation of good and correct financial statements, then the financial statements will not be of good quality. Whereas to make a quality financial report requires human resources who should already have readiness in taking responsibility for every job done, and have training and experience so that financial statements are made optimal, avoid mistakes, and understand what risks will be accepted if cheating. Consistent with stewardship theory, independence of human resources must be maximized, because human resources should be trusted and not easily affected by anyone, especially for personal interests or for interests of institutions that end up harming society. Previous research in accordance with hypothesis (H1) is a study conducted by Ponamon (2014), Siwambudi et al (2017) and Astuti (2018)

### **Effect of Internal Control System on Village Financial Reports Quality**

Second hypothesis (H2) test results show a sig value of 0.006 < alpha value ( $\alpha = 0.05$ ) and has a positive direction with a value of  $B = 0.374$ . It means that internal control the system has a positive effect on village Financial Reports Quality, therefore H2 is accepted. That is if the internal control system in villages of Bantul Regency is getting better, ability to make quality financial reports is better too. This is because the internal control system is an organizational structure planning, methods, and coordination tools used by organizations with the aim of maintaining the security of an organization's assets, checking the accuracy and the correctness of accounting data, encouraging efficiency, and assisting government management policies that have set to be obeyed (Pratolo et al., 2016) The results of this study oppose the research conducted by Budiawan and Purnomo (2014) and Septarini and Papilaya (2016) which say that the internal control system does not affect the village Financial Reports Quality. In this study using four dimensions to measure internal control systems, namely the control environment, risk assessment, control activities, monitoring. For the control environment, it is evidenced by the establishment of rules of behavior and employee ethics by leadership, so that each employee is able to adjust who he is dealing with. Has a competency standard for each task and function are given to him and has responsibility in carrying out his duties. If the village control environment has gone well, it is easy for the village to carry out village autonomy. In risk assessment, all villages consider that village leader is right in carrying out a complete risk assessment if there is a violation of the accounting system, and each village leader has an effort to reduce the risk of violations of accounting systems and procedures if that happens. Every village that has been studied in dimensions of control activities has entered the data entry process into the computer after the data has been authorized, physically secured the assets have been properly determined and have understood the purpose of controls, equipment, and supplies are physically secured and protected from damage. For monitoring dimension, it can be proven by a follow-up or assessment of quality of internal control in the village office and will make improvements to internal control if needed in the village, as well as follow-up and suggestions made by the inspectorate. The village internal control system can shows directly how the Bantul Regency Annual Report received Unqualified Report opinion 3 times in a row. This proves that villages in Bantul Regency have carried out their duties and authorities in accordance with the

position that they are responsible for in their work and obeyed every determined procedure from the government. Therefore, more obedient leaders and village officials in implementing procedures made by the government, better the financial statements produced, because they avoid fraud and errors in input data. The study results are in accordance with research conducted by Yudianta and Erawati (2012), Kiranayanti and Erawati (2016), as well as the Siwambudi et al (2017) positive for village Financial Reports Quality.

### **Effectiveness of Application of Village Financial System (SISKEUDES) on Village Financial Reports Quality**

The third hypothesis (H<sub>3</sub>) results show that a significant value of  $0.037 > \alpha$  value (0.05) and has a positive direction with a value of B of 0.180. The results of this study indicate that village financial system effectiveness has a positive effect on village Financial Reports Quality, therefore H<sub>3</sub> industry accepted. The more effective the application of Village Financial System in a village, more quality financial reports made by the village. The Village Financial System was created to improve the village Financial Reports Quality where the financial statements are monitored directly by the government, so that errors or fraud made by village can be known by the central government. Village Financial System is also made in addition to facilitating village officials to make financial reports, as well as to minimize number errors or presentation of financial statements, be it daily, monthly or annual reports. In study results, it was found that SISKDEUDES had very good data security from computer errors or from data loss. A good level of accuracy because of each number calculation, number presentation and data analysis will be precise and accurate. Village Financial System also has data input speed, login and log out, and searches for data that is fast enough so that Village Financial System operator does not have to wait long when data entry or is in a hurry when needing data.

Village Financial System also has a variety of reports, ranging from daily reports, monthly reports and annual reports, so that if anyone needs data, data is still there. Last is the relevance level of Village Financial System which according to the research results have a value that is quite relevant for the presentation of data, data management, data processing and for users of village financial statements. So this research is in accordance with research conducted by Gayatri and Latrini (2018), Dewi and Mimba (2014)

### **CONCLUSION**

The conclusion of this research is below.

- a. Human Resources do not affect on the Village Financial Reports Quality.
- b. Internal Control System has a positive effect on Village Financial Reports Quality.
- c. Village Financial System Effectiveness has a positive effect on Village Financial Reports Quality.

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