

## The effects of competency and the implementation of good government governance principles on financial statements quality: Study in the Ministry of Marine Affairs and Fisheries of the Republic of Indonesia

S. Srianto, E. Setiany & H. Setiyawati  
*Universitas Mercu Buana, Jakarta, Indonesia*

**ABSTRACT:** This study analyzed the influence of competency on management accountants and the implementation of good government governance principles on financial statements quality in the Ministry of Marine Affairs and Fisheries of the Republic of Indonesia. This research is a quantitative study with primary data obtained from 92 accountants of the Ministry of Marine Affairs and the Fisheries Republic of Indonesia. Partial least squares was used as an analytical tool. The results show that competency and good government governance significantly influence the quality of financial statements. Therefore, improvement in competency of management accountants is necessary for an optimal contribution to the improvement of the quality of financial statements by providing training and fostering and an understanding of accounting and financial statements. Thus, consistent implementation of the principles of good government governance and compliance with government accounting standards is obligatory.

### 1 INTRODUCTION

The financial statements of the government of the Republic of Indonesia are based on the results of an examination of 87 state ministries or institutions' financial statements and one state general treasurer or financial report. In 2016, as many as 74 state ministries or institutions' financial statements, or 84%, received an unqualified audit opinion, while a qualified audit opinion was assigned to 8 state ministries/institutions' financial statements, and a disclaimer opinion was given to 6 financial Reports of Ministries. Among the disclaimers were financial statements of the Ministry of Maritime Affairs and Fisheries (MMAF). This is may due to the lack of proper accountability in MMAF's financial statements for the procurement of fishing boats. "This accountability process is yet to be completed, the reports of the events are incomplete, there is a disorderly administration" (Djanegara, 2017a). These ministries or government agencies may not be supported by competent human resources (HR). "It is impossible for one ministry to be accountable if the human resources are not competent. They are not unfair, but they are simply incapable. That is the picture" (Sampurna, 2017). Therefore, in order to address financial statement quality, it is necessary to take competency into consideration, as competence is an ability to carry out or run a job or task based on skills and knowledge and is supported by the work attitude required for the job (Wibowo, 2016). Another factor taken into consideration is government governance (good governance), which implies the regulation of relations between government institutions (state), entrepreneurs (business), and the general public (society), especially those related to government policies (Kurniawan, 2015). The principles of good corporate governance include transparency, accountability, responsibility, independence, and fairness (Peraturan Menteri Negara, 2011).

Regarding the research on the role of apparatus competence, internal control system on good governance, and the quality of financial statement information, the results show that "The competence of the apparatus has a positive and significant effect on the quality of financial statement information" (Simon et al., 2016, p. 123). In line with this research, the research on the effect of internal accountants' competence on the quality of financial reporting and the impact on the financial accountability stated the following: "(1) The Internal Accountants' Competence has significant effects on the quality of Financial Reporting; (2) Financial Reporting has a significant quality effect on the Financial Accountability" (Iskandar & Setiyawati, 2015). Research on corporate governance and financial reporting quality in Nigeria gave results that "The statistics of 3,641 shows that the results typically explained the model. The findings of the study reveal that corporate governance improves the financial reporting quality in Nigeria" (Akeju & Babatunde, 2017).

## 2 LITERATURE REVIEW

Competency is an underlying characteristic of an individual that is causally related to criterion reference of effective and superior performance in a job or situation (Moehariono, 2014). The quality of financial statements can be seen from the information signals disclosed by the government. In addition, good governance performance needs to be communicated to the society both as a form of accountability and as a form of promotion for political purposes (Hilmi, 2012). The qualitative characteristics of financial statements are normative measures that need to be realized in accounting information so their objectives can be determined (Siregar, 2015).

Research on the impact of the implementation of government accounting standards and human resource competence on the quality of the financial statements in the Banten provincial government for the year 2015 reveals that human resource competence has a positive effect on the quality of the Banten provincial government's financial statements in 2015 (Mahardini, 2018). Other research in Aceh Province revealed that good governance has a positive effect on the quality of financial reports (Yusniyar & Abdullah, 2016). Based on the framework presented previously, the research hypotheses are as follows:

H1: Competency affects the quality of the financial statement.

H2: Good government governance principles affect the quality of the financial statement.

## 3 METHOD

The population of this study comprised 402 work units of the head office of the MMAF. The research used the purposive sampling method. Respondents in this study were the chief financial officer or head of Subsection Administration Unit and the staff that prepared reports on 92 respondents from the finance head office division. A series of tests were performed, including validity test, reliability test, and specification model with (Partial Least Square) PLS. To obtain results on whether or not there is an influence of exogenous variables on endogenous variables the following tests were applied: (1)  $R^2$ , (2) path coefficients, (3) prediction relevance ( $Q^2$ ), and (4)  $t$ -statistics. The SEM model can be formulated into a mathematical equation as follows:

$$QFS = \rho_1 C + \rho_2 AGGGF + e$$

where

QFS = quality of financial statements

C = competence

AGGGF = application of good government governance principles

e = error

#### 4 RESULTS AND DISCUSSION

Prior to hypothesis testing, all research variables were tested for validity and reliability. The results show that all indicators are valid with loading factor above 0.7, with composite reliability above 0.6, so it can be concluded that the indicators used in each variable have good reliability or have been able to measure its construct.

##### 4.1 Results

The results of this analysis show  $R^2$  0.774, while the value of  $Q^2$  or predictive relevance for the structural model in this study is 0.599 or 59.9%. Therefore, it can be said the model has good predictive value. It can be concluded that the model can be used for hypothesis testing. All dimensions in each variable show a significance level of more than 0.05, so that these dimensions are able to measure each construct.

Table 1 shows that for both variables  $p = 0.000 < 0.05$  (5%), indicating that there was a significant influence of both independent variables on the quality of financial statements. The coefficient obtained from the effect of competence is 0.564. The value of 0.564 for the parameter coefficient means that the higher the good governance competence, the better the quality of the financial report, and this supports the first hypothesis of this study. The coefficient of the effect of the implementation of the principles of good government governance was 0.363. The value of 0.363 on the parameter coefficient means that the better the application of the principles of good governance over governance, the better the quality of financial statements, and this supports the second hypothesis.

##### 4.2 Discussion

###### 4.2.1 Effect of competency on the quality of financial statements

Based on statistical tests and significance, it is known that there is a positive and significant effect of competencies on the quality of financial statements. The results are consistent with the results of a study that confirms that the competency of human resources has a positive effect on the quality of financial reporting in Banten Province (Siregar, 2015), and the competence of the government apparatus simultaneously has a significant effect on the quality of the financial statements (Kurniawan, 2016). Likewise, the research stated that "the internal accountants' competence has significant effects on the quality of financial reporting" (Iskandar & Setiyawati, 2015; Kesuma et al., 2017).

###### 4.2.2 Implementation of principles of good government governance against the quality of financial statements

Based on statistical tests and significance, it is known that there is a positive and significant influence of the implementation of the principles of good government governance on the quality of financial statements. These results are consistent with studies that show the influential, moderate, and positive effects of good governance on the quality of the financial statements (Setiyawati, 2013). Different results were obtained by studies that showed good governance as having a partially insignificant effect on the quality of financial statements (Kurniawan, 2016).

Table 1. Path coefficients values.

No.	Variable	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	t- Statistics (O/STDEV)	p Values
1	Competence	0.564	0.556	0.094	6.015	0.000
2	Good Government Governance	0.363	0.359	0.097	3.729	0.000

## 5 CONCLUSION

There is a significant competence effect on the quality of financial statements. Therefore, improvements in the form of motives, self-concepts, knowledge, and skills of the employees in preparing financial statements are necessary to improve the quality of financial statements. The implementation of the principles of good government governance significantly influences the quality of financial statements. The implementation of transparency, participation, and accountability in an institution also can improve the quality of financial statements.

Therefore, improvement in competency of management accountants is necessary for optimal contribution to the improvement of financial statements quality by providing training and fostering an understanding of accounting and financial statements. Thus, consistent implementation of the principles of good government governance and compliance with government accounting standards is obligatory.

## ACKNOWLEDGMENTS

The authors would like to thank the Ministry of Research, Technology, and Higher Education of Indonesia for the funding of this research and the Ministry of Marine Affairs and Fisheries as well as Universitas Mercu Buana for facilitating this research.

## REFERENCES

- Akeju, J. B., & Babatunde, A. A. (2017). Corporate governance and financial reporting quality in Nigeria. *International Journal of Information Research and Review*, 4(2), 3749-3753.
- Djanegara, M. S. (2017a). BPK Beri Opini Wajar Tanpa Pengecualian atas LKPP 2016. <http://www.bpk.go.id/news/bpk-beri-opini-wajar-tanpa-pengecualian-atas-lkpp-2016>.
- Hilmi, A. Z. dan Martani, D. (2012). Analisis Faktor-Faktor yang Mempengaruhi Tingkat Pengungkapan Laporan Keuangan Pemerintah Provinsi. Banjarmasin. Simposium Nasional Akuntansi XV.
- Iskandar, D., & Setiyawati, H. (2015). The effect of internal accountants' competence on the quality of financial reporting and the impact on the financial accountability. *International Journal of Managerial Studies and Research (IJMSR)*, 3(5), 55-64.
- Kesuma, D. P., Choirul Anwar, S., & dan Darmansyah. (2017). Pengaruh Good Governance, Penerapan Standar Akuntansi Pemerintah, Sistem Pengendalian Internal Pemerintah Dan Kompetensi Aparatur Pemerintah Terhadap Kualitas Laporan Keuangan Pemerintah Pada Satuan Kerja Kementerian Pariwisata. *Jurnal Ilmiah Widya Ekonomika*, 1(2), 141-146.
- Kurniawan, Ardeno. (2015). *Audit Internal Nilai Tambah Bagi Organisasi* (Edisi Kedua). Yogyakarta: BPFE.
- Kurniawan, I. S. (2016). Determinan Kualitas Laporan Keuangan Pemerintah Daerah. *Jurnal Ekonomi dan Manajemen Universitas Mulawarman*, 13(1), 47-58.
- Mahardini, N. Y. dan Miranti, A. (2018). Dampak Penerapan Standar Akuntansi Pemerintahan dan Kompetensi Sumber Daya Manusia Pada Kualitas Laporan Keuangan Pemerintah Provinsi Banten Tahun Anggaran 2015. *Jurnal Akuntansi*, 5(1), 22-32.
- Moeheriono. (2014). *Pengukuran Kinerja Berbasis Kompetensi* (Edisi Revisi). Jakarta: Raja Grafindo Persada.
- Peraturan Menteri Negara BUMN Nomor PER-01/MBU/2011 tentang Penerapan Tata Kelola Perusahaan yang Baik (Good Corporate Governance) Pada Badan Usaha Milik Negara.
- Sampurna, A. F. (2017). BPK Beberkan Kualitas SDM di Enam Kementerian Ini Tidak Kompeten dan Tidak Mampu Bekerja. <https://hukum.rmol.co/read/05/31/293622/BPK-Beberkan-Kualitas-SDM-Di-Enam-Kementerian-Ini-Tidak-Kompeten-Dan-Tidak-Mampu-Bekerja>.
- Setiyawati, H. (2013). The effect of internal accountants' competence, managers' commitment to organizations and the implementation of the internal control system on the quality of financial reporting. *International Journal of Business and Management Invention*, 2(11), 19-27.
- Simon, Y., Najamuddin, M., Mas'ud, M., & Su'un, M. (2016). The role of apparatus competence, internal control system on good governance and the quality of financial statement information. *Journal of Arts, Science & Commerce*, 7(4), 123.

- Siregar, Baldric. (2015). *Akuntansi Sektor Publik (Akuntansi Keuangan Pemerintah Daerah Berbasis Akruah)*. Yogyakarta: UPP STIM YKPN.
- Wati, L. N. (2018). *Metodologi Penelitian Terapan Aplikasi SPSS, Eviews, Smart PLS, dan Amos Edisi Kedua*. Jakarta: Pustaka Amri.
- Wibowo. (2016). *Manajemen Kinerja*. Jakarta: PT Rajagrafindo Persada.
- Yusniyar, Darwanis, & Abdullah, dan S. (2016). Pengaruh Penerapan Sistem Akuntansi Pemerintahan dan Pengendalian Intern terhadap Good Governance dan Dampaknya pada Kualitas Laporan Keuangan. (Studi Pada SKPA Pemerintah Aceh). *Jurnal Magister Akuntansi Pascasarjana Universitas Syiahkuala*, 5(2).

DO NOT COPY  
erna.setiany@mercubuana.ac.id