

## How to Cite

Lumbanraja, T., Atmadjaja, Y. V. I., Suprihartini, Y., Taryana, T., & Suryapermana, N. (2023). The relevance of the competence of state officials to the effectiveness of accounting in local government financial reports. *International Journal of Business, Economics & Management*, 6(1), 60-68. <https://doi.org/10.21744/ijbem.v6n1.2075>

# The relevance of the competence of state officials to the effectiveness of accounting in local government financial reports

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**Abstract---***This study examines the literature to prove the relevance of the Competence of state apparatus to the effectiveness of government financial reporting accounting activities in the regions. Many findings have been reported on the importance of local regulatory Competence in government financial projects. However, only some have examined the relevance of apparatus competence to local government financial reporting activities. Carefully studied under a phenomenological approach involving data coding, ordering evaluation, data interpretation, and conclusion, the point of which is to answer the problem validly and reliably in the effectiveness of accounting activities in local government financial reporting. In other words, when state officials have high Competence, it will be easier to report regional government finances. This friend will provide a new vehicle and enlightenment to support similar studies in an academic context and industrial practice.*

**Keywords---***accounting, competency, financial statement, relevance, state apparatus.*

## Introduction

Central and regional governments have implemented public accountability due to rising public demand for good governance since Indonesia entered the reform era (Harun et al., 2019). Accountability is the requirement to be held accountable for the completion or failure of an organization's mission in accomplishing established goals and objectives through periodic accountability. The type of responsibility for operating the government in the form of financial reports is defined in Law Number 17 of 2003, which deals with State Finance, and Law Number 32 of 2004, which deals with Regional Government. Financial statements give responsibility for managing an organization's economic resources (Adiputra et al., 2018). The Regional Government Financial Statements (RGFS) must contain valid and user-friendly data. Information that is valuable to users is helpful. According to Zhao et al. (2018), the value

of information is its capacity to increase user knowledge and confidence in decision-making. Information will be helpful if it can help make decisions and is reliable. Financial reports must be prepared by personnel proficient in regional financial management and accounting systems to produce accurate financial data for users (Herawati, 2023).

According to McAllister et al. (2015), Competence is a quality of an individual who can do a job well. As indicated by certain specialists, content is a trademark that underlies an individual's elite presentation working. Work will be done haltingly by employees who need more knowledge, wasting materials, time, and effort Kokina et al. (2021), an organization's accounting implementers must possess sufficient accounting process knowledge and qualifications. Execution of accounting duties under authority to achieve objectives effectively and efficiently. The Financial Administration Officer is in charge of recording the data. After each accounting period, the Financial Administration Officer prepares financial reports for the SKPD in question. The information provider, in this case, the PPK-SKPD, must be competent enough to record and manage finances so that users do not collect the information generated in these financial reports. The value of the data in the financial statements will rise if accounting professionals are competent enough to use it as a guide for the Regional Government to make the right decisions (Suwanda, 2015).

The internal control mechanism of the authority is the second factor impacting the reliability of local government financial reporting. According to Minister of Home Affairs Regulation No. 13 of 2006 on Guidelines for Regional Financial Management, internal control is a system designed to offer appropriate assurance about the attainment of local government objectives as represented in the dependability of financial reports (Rahmatika & Afiah, 2014). The efficiency and efficacy of program and activity implementation and regulatory compliance. According to Government Regulation (PP) Number 60 of 2008, internal control encompasses the following policies; 1) Supplying adequate assurance that financial reports have been prepared following government accounting standards, 2) Supplying adequate assurance on the safety of assets that have a significant impact on the financial statements of the government (Iatridis, 2010; Omar et al., 2015).

When the BPK presents the Audit Results Report, one issue must be addressed the Internal Control System (SPI) (LHP). The BPK requests that the findings about the Internal Control System in Regional Government Financial Reports be considered a shared issue to promote efficiency and effectiveness and minimize state financial losses for the community and the area (Oswari & Prasetyo, 2021). The last aspect that might influence the information value of local government financial reports is regional financial oversight. According to Minister of Home Affairs Regulation No. 51 of 2010 Concerning Guidelines for Supervision of Regional Government Implementation of 2011, supervision is a process of actions meant to ensure that regional administrations work successfully and efficiently. If there is supervision to ensure that the system operates following the plan and supports high-quality financial reports, the system will function effectively (Sari, 2021).

Therefore, for the regional budget to produce high-quality financial reports, it is necessary to oversee its management (Hajawiyah & Mahera, 2020). Regional financial management will go according to plan and produce good financial performance, as evidenced by the information value of local government financial reports if proper supervision has been carried out. The Government Internal Supervisory Apparatus must be continuously developed to achieve the integration of policies for overseeing regional government administration. In addition, the Government's Internal Supervisory Apparatus's perspective on its role as an early warning provider for violations or deviations that indicate nepotism, collusion, and corruption must be altered. According to Othman (2012), research, insufficient supervision, non-compliance with laws and regulations, and delays in submitting financial reports to the Padang Regional Government led to a Qualified Opinion.

All central and regional work units of the government have adopted accrual-based accounting (accrual) since 2015. Accrual-based accounting is being used to improve government performance, transparency, and accountability (Pamungkas et al., 2018). In addition, the government's financial management has undergone numerous changes impacting financial accountability, reporting, and other financial aspects. The government anticipated the risk of accounting transformation failure by making preparations from previous years (Sloan, 2001; Hung, 2000; Hopwood, 2009). Planning, budgeting, budget execution, supervision, and responsibility are the five primary cycles that must be carried out when managing state finances. Planning is the first cycle primarily used to create long-term, medium-term, and short-term development plans that central and regional government administrators implement. The subsequent cycle, budgeting, connects planning with the government's financial resources, as reflected in the APBN/APBD (Hadi et al., 2020).

The execution of government revenues and expenditures to support development is the third cycle of budget execution. Superiors, heads of offices, and work units of state administrators, institutions, and regional governments oversee the APBN/APBD's implementation (Libby et al., 2020). The final cycle, accountability, is just as important as the previous cycles. Accountability is evidence of the government's accomplishments in the development and execution of the mandate. Quality accountability for the use of funds listed in the government's financial reports is something that the community and all parties want. The Function of Financial Reporting Although the government's

financial report comes at the end of the state financial management cycle, it is vital to hold the government accountable. The government's financial report is a way to track how people's money is used from start to finish. Beginning with the planned, budgeted, and spent phases and including supervision. As a result, increasing the role of financial reports in preparing the state financial management cycle is necessary. One way to increase the importance of financial reports as a means of performance evaluation is to highlight their advantages (Kosec & Wantchekon, 2020).

## Research Method

This study aims to review the literature to obtain the relevance of state officials' competence in accounting activities in local government financial reporting. So through a series of data reviews related to the competency of state apparatus and local government financial accounting reporting from several book and journal publications we obtained electronically, we specialized in literature published in the last ten years (Eltom et al., 2019). After the literature was collected, we analyzed it under the following approach. Phenomenology, which we use, among other things, data coding, interpretation, and in-depth evaluation to obtain valid data to answer problems and hypotheses. After we collect the data and report it in a descriptive qualitative design, we want to prove the relationship between the competency of state officials in accounting activities reporting local government funding; we design this report in a descriptive qualitative manner, which begins with problem identification, literature search, data analysis, and final reporting. This kingdom entirely relies on secondary data from publications (Mohan et al., 2017).

## Result and Discussion

### *Competency standards for finance officers in Indonesia*

The terms used are now Human Capital, which can be continuously developed, as opposed to Human Resources, which appear to be consumables. The human capital that powers the Unitary State of the Republic of Indonesia's government is the State Civil Apparatus (Sayuti, 2015). The Competency Dictionary is used to measure Competence. Competency dictionaries are well-known resources for providing information to potential participants in assessments. However, shaping the character of ASN is the goal of creating a broader competency dictionary than that (Man et al., 2002; Cardy & Selvarajan, 2006 Paulraj et al., 2008). ASN ought to have a solid understanding of the standard of Competence, which is the standard each individual must develop (Prasetyo & Mais, 2019). The first competency, Managerial Competence, is the subject of the author's discussion in this article. Managerial Competence is the knowledge, skills, and attitudes/behaviors that can be observed, measured, and developed to lead and manage organizational units. ASN must have eight managerial skills, including those of PNS of the Ministry of Finance (Gomez et al., 2017).

The Ministry of Finance has established a set of values expected to serve as guidelines for each employee. As an organization, the Ministry of Finance is committed to advancing and being perfect in its duties and functions. These values are integrity, Professionalism, Synergy, Service, and perfection (Supriadi et al., 2018). We hope that employees will be able to comprehend and apply these values, allowing all employees to contribute to the organization's development. Integrity is described in ethics as the honesty and veracity of one's acts. Hypocrisy is the polar opposite of honesty. A person with integrity is distinct from someone who has multiple faces and appearances that are adapted to his goals and interests. An employee with integrity is trusted because what he says also becomes his action. Who we are can be continually improved by establishing appropriate values and norms for ourselves. Moreover, in the end, who we are will determine what we do as employees or leaders (Eneanya, 2018).

Everyone, including those who are led leaders, requires this integrity. People whom an honest leader leads can improve. Integrity-driven leaders will only believe they are serving their subordinates rather than the other way around (Geddes, 2017). Because they believe the leader has integrity, subordinates feel at ease and happy to do as they are told when the leader serves them reasonably. In contrast, a subordinate with integrity believes that he must serve the leader as long as the leader is honest and upholds moral principles. Because he will be looked up to by others first and used as an example and role model, especially for his subordinates, a leader in an organization must exemplify integrity. This integrity also impacts the leader's image. Because a leader who exemplifies integrity will be regarded as a role model by his subordinates and gain their trust because of his firmness and consistency in his thoughts and words, he will be able to influence others. A different thing happens when organizational leaders need to be more trusted or even respected by their subordinates. They will not follow their leaders' orders and will walk alone. The organization will need to be more organized and effectively achieve its objectives. If the leader fails to instill the values of integrity, this will occur (Bryson, 2018).

### *Cooperation in finance value and synergy*

Every person, as a social being, needs the presence and support of others to carry out his or her life. Cooperation is social interaction between two or more people who share a common objective. According to KBBI, an organization is a unit or organization of parts (people) working together for a particular goal. Collaboration between one organization and other members supports an organization's growth and development (Le Pennec & Raufflet, 2018). Synergy is the Ministry of Finance's value that must be followed to encourage employee cooperation. Following PMK Number 190/PMK.01/2018, the Ministry of Finance's Code of Ethics and Code of Conduct for Civil Servants, synergy means that all employees must be committed to developing and maintaining productive internal cooperative relationships as well as harmonious partnerships with stakeholders to produce practical work and of high quality (Gonzalez et al., 2014).

An employee must be cooperatively competent as a manager when fulfilling job-related obligations. Cooperation competence, as defined by Regulation No. 38 of 2017 of the Minister of Administrative Reform and Bureaucratic Reform of the Republic of Indonesia concerning Competency Standards for State Civil Apparatus Positions, is the ability to establish, foster, and maintain productive working relationships to commit to assisting one another in completing tasks and to maximize utilization of all resources to achieve organizational strategic goals (Wibawa et al., 2020). Employees are frequently tasked with completing work in a group as part of their daily responsibilities. We must perform our roles and responsibilities effectively as team members and support the decisions made by all team members. Each member of the team has their own set of advantages and disadvantages. Leaders must analyze this to build the right team by anticipating potential challenges and finding the best solutions for the success and achievement of organizational goals (Maulana et al., 2022).

### *Communication competence*

According to Regulation No. 38 of 2017 of the Minister of Administrative Reform and Bureaucratic Reform of the Republic of Indonesia concerning Competency Standards for State Civil Apparatus Positions, the ability to clearly and systematically explain views and ideas, accompanied by logical arguments in appropriate ways, both orally and in writing; ensure comprehension; effectively and actively listening; and, to achieve organizational objectives, persuade, convince, arouse, and persuade, arouse, and persu. Misunderstanding is an issue that frequently arises due to a lack of communication. If information is not conveyed effectively and informatively from superiors to subordinates or vice versa, it will result in multiple perceptions or influence the failure to achieve established goals. Many people may disregard this communication skill's significance, believing it is merely an innate talent that does not require practice. Selecting words and terms that most people are familiar with and using them in concise, understandable sentences can help us communicate in an informative and effective way.

There are formal and informal forms of communication. For example, we employ formal speech styles when we give speeches, present work materials, and prepare reports for the leadership. In the meantime, we can socialize with coworkers using informal communication. It can be an initial capital for building trust or mutual trust by listening to and appreciating feedback from others and responding appropriately to these messages. This will create a sense of comfort between people so that, in the future, they can work well together to support the realization of the organization's ideals. The team's work process will be made more accessible, and the leadership's tasks will be completed in a more coordinated manner if this positive social interaction is synergized.

### *Public service*

The Ministry of Finance is an organization that continues to improve the bureaucratic aspect. Public services are an essential part of efforts to improve services to stakeholders' effectiveness and efficiency (Minhando et al., 2021). The Ministry of Finance has developed standard operating procedures for each superior service to improve quality and guarantee that public services will be provided per the responsibilities and functions of each organizational unit. This extraordinary commitment is inseparable from the role played by the person or people who will run the company. These people are the Leaders and Staff who carry out their responsibilities within the framework of the Ministry of Finance's advancement. Service is the Ministry of Finance's fourth value because it is the source of our enthusiasm for providing services that meet the needs of stakeholders and are carried out thoroughly, openly, quickly, accurately, and safely (Viñuela & Barrie, 2014).

Because the Ministry of Finance is a State Civil Apparatus, every employee in the Ministry of Finance must be able to carry out their functional tasks following service standards that are objective, neutral, impartial, non-discriminatory, and unaffected by personal or group interests (Bandiyono & Daneshwara, 2019). By actively seeking

information to identify the needs of stakeholders and responding to criticism and suggestions received to provide satisfactory public services, the organization can establish a positive relationship with stakeholders. The Ministry of Finance enthusiastically promotes Digital Transformation in anticipation of the 4.0 industrial revolution. The initiatives agreed upon for implementing Digital Transformation include creating a Digital Workspace for the organization's efficient implementation of work processes and making it simple for stakeholders to access services offered by the Ministry of Finance. A digital workspace exists where all applications and services can be accessed anytime and from any device (Purwanto, 2022).

#### *Development of staffs*

It is essential to improve each employee's self-quality. Through various training opportunities and direct guidance from the leaders of the work unit, soft and hard skills can be developed. A supportive and encouraging work environment also contributes to the development of conditions for mutual influence and the transmission of enthusiasm for expanding each employee's knowledge and skills (Gunpath et al., 2017). Ability to improve one's own and others' skills following Regulation No. 38 of 2017 of the Minister of Administrative Reform and Bureaucratic Reform of the Republic of Indonesia concerning Competency Standards for State Civil Apparatus Positions; promote a willingness to learn throughout one's life, provide advice and assistance, feedback, and direction to assist others in developing their potential, and encourage others to develop and refine knowledge and skills (Abdulkareem et al., 2022).

What training is required to support an employee's day-to-day activities is determined by analyzing knowledge requirements based on where they are placed in a work unit (Johannessen et al., 2020). Each employee can independently participate in online classes that will be evaluated after each session through the Ministry of Finance Learning Center, an online learning portal owned by the Ministry of Finance. By acting as role models and giving their subordinates instructions and directions to speed up the completion of work programs, organizational unit leaders can also help their subordinates become competent. The Leader occasionally needs to assign work that is out of the ordinary or that comes with some challenges to inspire employees to seek out novel approaches or innovations as learning tools for their subordinates (Toleikienė et al., 2020).

#### *Overview of regional finance*

A single-entry recording system is often called a single bookkeeping system or just bookkeeping. In this system, the recording of economic transactions is done by recording singly (not in pairs). Transactions that increase cash will be recorded on the Receiving side, and transactions that result in a decrease in cash will be on the Expenditure side (Pattawe et al., 2022). This recording has been practised in the Regional Government for almost three decades. The bookkeeping system is a small part of accounting. This system has several advantages, namely simple and easy to understand. However, this system has areas for improvement, including incomplete reporting. As a result, it is difficult to track down bookkeeping errors. Accounting has a better recording system and can overcome the weaknesses above. The double-entry recording system is also often called the double-entry bookkeeping system. According to this system, a transaction will be recorded in pairs. Recording with this system is called journaling. In the recording, there is a Debit and Credit side. The accounting cycle is the stage that exists in the accounting system. In the accounting process, several records are made. These records are journals, ledgers, and subsidiary books. The output is a financial report. The accounting system can be explained in detail through the accounting cycle (Palepu et al., 2020).

Debit and Credit is a transaction that increases assets and will be recorded on the debit side, while one that results in a decrease in assets will be recorded on the credit side. The same thing is done for spending and financing expenditures because they have the exact nature of assets in the concept of debit/credit (Abdul-Rahamon & Adejare, 2014). The opposite is done for liabilities, fund equity, and income. If a transaction increases liabilities, the recording will be made on the Credit side; if it results in a decrease in liabilities, the recording will be done on the Debit side. The same thing is done for fund equity, income, and financing receipts because they have the same characteristics as assets in the debit/credit concept. C.6 Journalizing Based on Government Regulation No. 58 of 2005, the recording system used in local government financial accounting is a double-entry system. In this system, the term journaling is known. Journalizing is the procedure of recording financial transactions in a journal. A journal is a medium for recording transactions chronologically (based on the order in which the transaction occurred). The journal is designed to accommodate transactions along with the accompanying information and conditions (Zhou & Lamberton, 2021).

Journals are a source for recording transactions into accounts, but they do not take the place of accounts in the accounting process. As a result, journals are frequently referred to as the "books of original entry," also known as the first permanent accounting record. Because the journal organizes debit and credit transactions according to the accounts

or accounts involved, recording those accounts or accounts becomes more accessible with a journal. Journaling must maintain equilibrium in the accounting equation. Ledger A ledger is a book with a collection of accounts, estimates, and other records. Assets and liabilities are separately recorded in the accounts, as are equity, income, expenses, and financing. As a result, an accounting system's data collection is known as an account or accounts (Widyastari et al., 2023). We will find, for instance, a Cash account or account for recording cash, a Receivable account for recording tax receivables, and user charges receivables for the asset group. a Land Account to keep track of the land (Abdul-Rahamon & Adejare, 2014).

Accounts like Debt to Bank A and Third Party Calculation Debt are in the Debt group. Current Fund Equity accounts, Investment Fund Equity, and Reserve Fund Equity are all members of the Fund Equity category. Journals are initially used to record economic transactions. The journal is then added to the correct ledger accounts. Posting is the name of this action. Because the data for each transaction is transferred to the appropriate account or accounts, posting to the general ledger simultaneously classifies and summarizes the transactions. Like journaling, posting can be done chronologically or periodically (weekly or monthly). The books of final entry are the general ledger's final permanent accounting record (Lane & Milesi-Ferretti, 2018).

The Assets, Expenditures, and Financing Expenditures group accounts typically have a balance of Debit. In contrast, the Liabilities, Funds Equity, Income, and Receipt group accounts usually have a Balance of Credit. The average balance in the Financing Receipt account rises on the credit side and falls on the debit side. Budget Realization Reports are the financial reports with the following explanation Budget Realization Reports provide an overview of the sources, allocations, and uses of economic resources managed by the local government The Budget Realization Report depicts regional government expenditures, surpluses and deficits, financing, and residual budgetary over and underfunding for a single fiscal year. This report's goal is to offer accurate financial information about the fund's equity, liabilities, and assets (Flynn et al., 2016).

The statement of cash flows details the sources, uses, changes, and balance of cash and cash equivalents at the end of an accounting period. Cash inflows and outflows are classified using the categories of operating, investing, financing, and non-budget activities (Motlagh, 2013). Financial Statement Notes Each item in the budget realization report, balance sheet, and cash flow statement is presented systematically following Government Accounting Standards, with cross-references to related information in the notes to financial statements (Rezaee, 2005). Furthermore, it comprises the phrases necessary to provide a fair presentation of financial accounts, as well as additional information mandated and suggested to be presented under government accounting standards. Types of Regional Government Transactions In regional government financial accounting, the APBD structure—regional revenues, regional expenditures, and regional financing—can be used to classify regional government transactions. Non-cash local government transactions and Inter-Office Account (RAK) transactions between PPKD and SKPD are two additional categories of transactions (Setiawan, 2022).

The equity of funds is increased by all regional revenues, which include all money received through regional general treasury accounts. This is a regional right for one fiscal year, and the region does not have to pay it back (Muda et al., 2016). Direct Expenditures are expenses directly related to the execution of the program. Spending on primary tasks and functions that are unrelated to program implementation is an example of an indirect expense. All financial transactions to offset a deficit or capitalize on a surplus are included in regional financing. Funding receipts, financing expenses, and the remaining budget for the relevant year make up regional financing. Expenditure is intended to distribute surplus budget funds: the creation of funds for reserve; Equity in the local government (investment); Principal debt payment; Lending to regions (Rossi, 2015).

The local government's accounting structure is based on the Home Office – Branch Office Transaction (HOBO) concept. This structure was chosen following Law No. 17 of 2003, which dealt with paragraph (3) of article 10 of the State Finances Act. Article 100 of Act No. 58 of 2005 states that the SKPD as an accounting entity and the Regional Government as a reporting entity is responsible for implementing accounting and financial reporting. Fund equity is accounted for using RK-Central Accounting at the SKPD level. Due to this structure, the current Account (RK-Pusat) in SKPD is required to control records between PPKD and SKPD (Hayward, 2016). The SKPD is a branch of the Regional Government and does not have equity funds; instead, it only receives equity funds through a transfer mechanism. The account will grow if the SK PD receives asset transfers (like SP2D UP and GU) and payments for LS expenditures (SP2D LS). However, it will shrink if the RDG transfers assets to the local government, like depositing money (Morgan et al., 2017).

## Conclusion

In this section, we will summarize the results of the review we report at the end to understand the relevance of government officials' Competence to the effectiveness of financial accounting reports. The conclusion that we can

report is that the state apparatus has competency standards in implementing financial reports. This is following the provisions stipulated by the ministry of finance. In carrying out their duties, the apparatus has competencies such as working together to prepare value-oriented reports and report synergy. Furthermore, the competencies possessed include communicating in writing and orally so that the public can understand the performance of financial reports regulated by state regulations. Furthermore, staff can make developments following the law and know about local government finance. Thus the state apparatus can efficiently complete financial accounting reporting; in other words, the skills or Competence of the state apparatus are closely related to the progress and quality of financial reporting accounting at the central and regional levels. Thus the summary of the findings of this study may be helpful in the development of similar studies in the future.

#### *Acknowledgements*

In carrying out this study, we were assisted by professors from the faculty, colleagues, and professional editors who provided feedback and directions.

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