

CHAPTER 1

INTRODUCTION

1.1 Background

Government agencies need accurate data for management, accounting, and finance. Those data must be processed accurately to become a source of information in making valuable decisions for the agency. The important thing is transparency and accountability; this must be accounted for when the public asks one day. The rise of corruption cases today has resulted in people needing more confidence in government performance. The government accounting system designed following the constitution and laws and regulations in force in a country is a guideline that must be followed when an agency prepares financial reports so that financial statements and government performance can achieve transparency and accountability in local government financial reports, public service agencies which are part of government institutions must also be implemented (Gustina, 2021).

A regional public service agency (BLUD) is a Regional Work Unit or Work Unit at the Regional within the local government formed to provide services to the public in the form of offering goods and services that are sold without prioritizing profit and in carrying out its activities based on the principles of efficiency and productivity. The primary task of this regional general agency itself is based on article 68 and article 69, Law No. 1 /2004, concerning the state treasury, which is to provide services to the community and can apply flexible financial management patterns with productivity, efficiency, and effectiveness highlighted (Silalahi, 2022).

Aini et al. (2021) stated that the province of West Sumatra is one of those whose level of service to the community is less than satisfactory and does not favor the community. From 5 Local Government agencies that provide public services, West Sumatra is a very unsatisfactory province, hospital health services are one of them. Implementing its activities and obstacles in managing Regional Public Hospitals are greatly influenced by various demands, for example, the environment. Hospitals are required to provide quality health services at affordable health service costs. The increase in health costs at regional public hospitals has caused a phenomenon

of its own because the government made these public hospitals have a health service segment for the middle to lower class.

Based on the regulation of the mayor of Padang, West Sumatra province, No. 8 of 2016, concerning the pattern of financial management of regional public service agencies, Dr. Rasidin Padang General Hospital is a regional public hospital that has implemented a full regional public service agency financial management pattern (PPK-BLUD). To provide rules and directions for financial management policies that have implemented the BLUD system, it is necessary to establish management patterns that are effective, efficient, accountable, transparent, and have flexibility in financial management so that they can provide added value and improvement in health services. Regional public services, especially hospitals, are still faced with many obstacles in their management, both from the management and operational aspects. Several existing environmental demands can influence this. The problem could come from inefficient services, such as not utilizing information technology or lacking an internal control system (Silalahi, 2021).

In preparing and presenting the financial statements, BLU must follow The Government Accounting Standards (SAP), which are accrual-based and cash-to-accrual-based. Revenues, expenses, assets, debts, and equity are recognized accrual in accrual-based SAP. Meanwhile, cash-to-accrual SAP recognizes revenues, expenditures, and financing as cash, and assets, debts, and equity are recognized on an accrual basis in applying cash-to-accrual SAP. Government Accounting Standards are implemented to assist the government and make it easier to prepare financial statements. Applying the Government Accounting Standards Statement (PSAP) with the hope that there is equality for all government reports, such as the financial statements of the central government and local governments. Public Service Agency located in the region is called the Regional Public Service Agency (BLUD). Similar to BLU, BLUD must also apply the rules that BLU uses. This statement is written in the Minister of Home Affairs Regulation No. 79/2018 concerning Regional Public Service Agency. To prepare the financial statements, BLUD must also apply the Government Accounting Standards (Sholikhah, 2022).

Public service agencies must be more accountable and transparent to increase public trust. Public service agencies under the auspices of the local government must also report accountability to the government because the Regional Public Service Agency receives the

APBD from the region, and later, the financial statements will be consolidated into the SKPD financial statements and then consolidated into the local government financial statements. Public service agencies will be consolidated into SKPD financial reports and then consolidated into local government financial reports. Therefore, the quality of the public service agency's financial statements must be considered (Silalahi, 2021).

Local public service agencies must be regulated according to applicable standards. The correct application of government accounting standards and a good understanding of financial accounting certainly improve the quality of financial statements. Human resources must master and understand the applicable standards based on their respective fields. In addition to correctly using government accounting standards, it is also necessary to implement internal control because it cannot be separated from preparing financial statements (Artana, 2016).

The Committee of Sponsoring Organization of The Treadway Commission (COSO) stated in 1992, Internal Control in the process affected by gentility's broad of director, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories; Effectiveness and efficiency of operations, Reliability of Financial Reporting and Compliance with Applicable laws and regulations (COSO, 1994).

The internal control system is one way to direct, monitor, and measure organizational resources. The application of the country's internal control system is regulated in Government Regulation of the Republic of Indonesia Number 60 of 2008, which is about the Government's Internal Control System (SPIP), namely "An integral process of actions and activities carried out continuously by leaders and all employees to provide adequate assurance of the achievement of organizational goals through effective and efficient activities, reliability of financial reports, safeguarding state assets, and compliance with laws and regulations." The internal control system plays an important role in preventing and detecting the extent to which resources have been used to achieve targets and ensuring the availability of reliable financial information. With the application of a good and correct internal control system, the process that will run in it will run well too. Accounting standards compliance and internal control alone are not enough to produce good and correct financial statements. The application of information technology is very important to increase completion indicators and get the desired quality of financial statements (Dharmawati, 2020).

Kusuma (2021) stated that the development of information technology will make it easier for workers to do their work and activities. Government Regulation No. 23/2005 also allows regional public service agencies to conduct financial transactions and records electronically. They expected that the use of information technology could facilitate decision-making so that efficiency, effectiveness, and timeliness in financial reporting are well achieved. Information technology is any use or utilization of computers and the Internet for learning. Information technology is growing every year; this rapid development makes it easier for everyone to carry out their activities or work; the availability of information technology will greatly help speed up work. Likewise, in the preparation of financial reports using information technology is expected to facilitate and accelerate the process of preparing and preparing quality and timely financial reports.

Another factor that affects the quality of financial reports is the competence of human resources. According to Sudiarti (2020), human resource competence is the ability a person has concerning knowledge, skills, and personality characteristics that directly affect performance that can achieve the desired goals. Human resource competencies include their capacity, namely the ability of a person or individual, an organization (institution), or a system to carry out its functions or authority to achieve its goals effectively and efficiently. Human resources in an organization or company have a meaning that is as important as the work itself; given the important role of human resources in an organization or company, HR is a determining factor in the organization, then competence becomes an aspect that determines the success of the organization or company. High competence possessed by human resources in an organization or company will determine the quality of human resources owned, which will determine the competitive quality of the company itself. The ability of human resources is very important to produce quality financial reports; Human Resources (HR) are needed who understand and are competent in financial management.

High-quality human resources positively correlate with the achievement of added value and the quality of decisions taken by an agency. Having many workers or human resources without the ability and skills to follow the programs/activities implemented will be in vain because such numbers without contribution to the agency (Afnany, 2018).

Previous studies conducted by other researchers have been very helpful in carrying out this research. Some Updates that researchers make in this study include, in previous research studies, researchers rarely find study that related to the financial statements of this Regional Public Service Agency, especially on hospital financial reports. In addition, this research is the first to examine the quality of BLUD financial reports conducted at the Regional General Hospital Dr. Rasidin Padang City.

1.2 Problem Formulation

From the background stated above, then the research problem of this study is formulated:

1. Does the internal control system affect the quality of financial reporting at RSUD dr. Rasidin Padang City?
2. Does the use of information technology affect the quality of financial reporting at RSUD dr. Rasidin Padang City?
3. Does the human resource competence affect the quality of financial reporting at RSUD dr. Rasidin Padang City?
4. Does the Internal Control System, Information Technology Utilization, and Human Resource Competence Affect the Quality of Financial Statements at RSUD dr. Rasidin Padang City?

1.3 Research Purpose

After knowing the background and problem formulation of this research, it can be concluded that the purpose of the author conducting this research is:

1. To determine whether there is an effect of the internal control system on the quality of financial reporting BLUD RSUD dr. Rasidin Padang City
2. To determine whether there is an effect of information technology utilization on the quality of financial reporting, RSUD dr. Rasidin Padang City
3. To determine whether there is an effect of the Human resource competence standards on the quality of financial reporting RSUD dr. Rasidin Padang City
4. To determine whether there is an effect of the Internal Control System, Information Technology Utilization, and Human Resource Competence on the Quality of Financial Statements RSUD dr. Rasidin Padang City

1.4 Research Benefit

After doing this research, it is hoped that it can provide several uses, including:

1. The theoretical benefit of this research is that it is expected to be a reference and information material for improving the quality of the financial statements of Public Service Agencies. Another goal that the author hopes is also to create a Regional Public Service Agency that is more flexible, transparent, and accountable.
2. Practical benefits

- a. Institution

This research is expected to provide input for agencies in terms of internal control, use of information technology, and also human resource competence in improving the quality of an agency's financial statements.

- b. Researcher

This research is also expected as a way to explore values that can be used as a pattern in expanding academic and intellectual insights for researchers, especially those related to factors that affect the quality of the financial statements of the Public Service Agency.

1.5 Writing Systematic

This study is divided into five sections. The first section describes the background, the objectives of the study, and also the purpose of the study. The following section, the second section, contains a literature review that includes all related variables, internal control systems, utilization of information technology, and understanding of accounting standards, as well as a description of how the quality of financial statements is excellent and correct. The second chapter also contains the previous research, theoretical framework, and hypotheses that aim to test a study.

We have the third chapter, which contains the research methodology used to do this study, variable explanation, research population and sample, data collection method and sources, and data analysis. The research's conclusions and justifications are then presented in the fourth chapter. The fifth chapter concludes with conclusions and suggestions based on this study for those interested.

