

Factors Affecting the Quality of Information in Local Government Financial Statements of Batam City

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Abstract

This research aims to test factors that can affect the quality of information in local government financial statements or LKPD of Batam City. Independent variables in this research are competencies, regulation, and politics. This research used questionnaire data from Head of Finance of Satuan Kerja Perangkat Daerah or SKPD in Batam City with a total of 44 respondents. This research used multiple linear regression analysis with SPSS application. This research found that partially, the quality of information in LKPD can be influenced by competencies and regulations but not by politics. Moreover, simultaneously, competencies, regulation, and politics affect the quality of information in LKPD by contributing 67.9% of influence on LKPD.

Keywords: Information Quality, Competencies, Regulation, Politics, Local Government

1. Introduction

Local autonomy is a policy where locals are given the right and authority to manage their governments affairs. According to *Undang-Undang Republik Indonesia Number 23 (2014)*, local governments has the authority particularly to manage their financial management. Financial management in local governments needs to be carried out openly and professionally to achieve “good governance” (Hasanah & Fauzi, 2017).

Accordance to *Peraturan Pemerintah Republik Indonesia Number 8 (2006)*, the implementation of the nation or local annual budget requires a form of responsibility to compile and presents government financial statements. Moreover, government financial statements are used as a reference to devise future nation or local annual budgets. Local government financial statements are prepared to comply with government accounting standards based on *Peraturan Pemerintah Republik Indonesia Number 71 (2010)*. This regulation enforce local government financial statements to qualify its characteristic of information such as; relevant, reliable, comparable, and understandable. These characteristics become criteria for the quality of information in financial statements. One of the objectives of financial statements for non-profit organizations, particularly for government, is to provide information about how an organization acquires assets and carries out activities related to the

organization’s finances in terms of expenditure, debts, and other things that affect the liquidity of organizations (FASB, 1980). To take responsibility and consider the quality of information in financial statements, local governments may realize some of the good governance’s principal, which are accountability and transparency.

Every year, Indonesia’s local governments financial statements are inspected and given opinion by the Indonesian Audit Board or *Badan Pemeriksa Keuangan* (BPK). This opinion is a form that local government financial statements have been presented fairly and have good quality. In 2019, the number of unqualified opinions attained 89.7 percent of Indonesia’s local government financial statements. Compared to the previous year, the percentage of local government’s success in achieving unqualified opinions increased by 7.9 percent¹.

Batam City Government has become one of the locals that have maintained unqualified opinion in their financial statements since 2012. In 2020, its financial statements also received unqualified opinions. However, BPK found several problems that occurred in its financial management. There are three problems: revenue management, expenditure management, and asset management. Nevertheless, these problems are not affecting the fairness of its

¹ Kementerian Keuangan Republik Indonesia, 2020, “*Menkeu Apresiasi Peningkatan Jumlah K/L dan Pemda Penerima Opini WTP*”, 22 September of 22nd, Jakarta

financial statements presentation².

Financial statements require good quality of information. Xu et al. (2003) suggested that the quality of information is affected by individuals, systems, organizations, and external. Individuals are influenced by education, work training, and application to system. Systems are influenced by the implementation and alteration of their system. Organizations are influenced by the structure of the organization, regulations that exist are being applied in organization, and the culture of performance achievement. There are also external factors that are influenced by pressure and environment changes.

Previous researches found that the quality of information in financial statements is influenced by several factors. Haliah & Nirwana (2019) found that competencies, regulation, and politics affect the quality of information in local government financial statements. Based on this research background mentioned before, this research aims to test factors that affect the quality of information in local government financial statements of Batam City. Factors that are used in this research are competencies, regulation, and politics.

2. Literature Review

Agency Theory

Jensen & Meckling (1976) stated that there are two economic parties: the principal and the agent. These parties have relations in which the principal gives a mandate to the agent by undertaking certain activities. Meanwhile, what has been mandated by the principal must be done responsibly by the agent. Therefore, both parties must coordinate to achieve the same goal. In local financial management, the central government as principal gives a mandate to local governments to be responsible for their financial management, which is in the form of responsibility expressed in local government financial statements. This is in line with *Undang-Undang Republik Indonesia* Number 17 (2003).

Stakeholder Theory

Freeman (2010) argued that organization needs pay attention to every single party who plays a vital role in the organization's success. Ullmann (1985) suggested that entities will take some strategies to satisfy stakeholders who control of entities' economic resources. Within local governments, financial statements intended to convey information to those who use it for decision-making in the future (Hasanah & Fauzi, 2017). Those users include Local House of Representative (*Dewan Perwakilan Rakyat*

Daerah or DPRD), Indonesian Audit Board (*Badan Pemeriksa Keuangan* or BPK), Donor, Investor, Creditor, and Public.

Accountability

According to Mardiasmo (2002), accountability is interpreted as an obligation to be imposed by organization or individuals that has given the trust to take responsibility for their work. There are two kinds of accountability, namely vertical accountability and horizontal accountability. Vertical accountability is about responsibility to a higher authority. Meanwhile, horizontal accountability is about responsibility to society. Mardiasmo (2002) also reveals that the presence of accountability is demanded due to fulfilling transparency in information for public rights.

Local Government Financial Statements

Information about the financial condition of organizations is contained in financial statements for their stakeholders as a form of accountability. According to *Peraturan Pemerintah Republik Indonesia* Number 8 (2006), every reporting entity must compile and present financial statements and performance reports for the practice of the nation or local annual budget. Based on this regulation, reporting entities include central government, local governments, state ministry or institution, and general treasurer. Local government financial statements or *Laporan Keuangan Pemerintah Daerah* (LKPD) are at least composed of:

1. Budget Realization Statement or *Laporan Realisasi Anggaran (LRA)*;
2. Balance Sheet or *Neraca*;
3. Cash Flows or *Laporan Arus Kas*; and
4. Notes to Financial Statements or *Catatan atas Laporan Keuangan* or.

Based on this regulation, LKPD is prepared by consolidating all financial statements of Local Apparatus Work Units or *Satuan Kerja Perangkat Daerah* (SKPD) within the local government. LKPD needs to be delivered by SKPD to higher authority specifically governor or *gubernur*, regent or *bupati*, and mayor or *walikota* through Local Financial Management Officer or *Pejabat Pengelola Keuangan Daerah* (PPKD).

Dimension of the Quality of Information in Financial Statements

Based on *Peraturan Pemerintah Republik Indonesia* Number 71 (2010), financial statements have qualitative characteristics of information which are requirements that must be fulfilled to achieve desired quality. There are four requirements that must be stated for achieving good information quality, and there are as follows.

1. Relevant, defined as informations in financial

² BPK RI Perwakilan Provinsi Kepulauan Riau, 2021, "Opini WTP untuk Lima Pemda di Kepri", May of 7th, Batam

statements must be able to describe past and future situations so that it can predict decision-making for the future by improving and expanding from past evaluations.

2. Reliable, means financial statements contain various informations that are free from any mistake, both from content and presentation, and also presented with facts that can be proven honestly.
3. Comparable, which means financial statements contain informations that can be compared with other financial statements in the past.
4. Understandable, which means financial statements contain informations that is presented according to users' comprehension.

Competencies

Competencies become a strength within an individual, both in the way of thinking or acting, which can be explored or developed to achieve goals personally or jointly (Sedarmayanti, 2017). Spencer & Spencer (1993) stated that competencies is a character within an individual that reflects how well their performance has been done. Bontis et al. (1999) also stated that an individual's competencies at work must have good knowledge, skills, and attitude.

In the preparation of LKPD, it is necessary to have human resources with qualified competencies. However, Anggriawan & Yudianto (2018) in their research in West Bandung District, found that some of the staffs who related in preparing LKPD do not have an educational background in finance or accounting. Therefore, training and experience are needed for staff to have enough competencies to prepare LKPD in order to have good information quality. Some researchers such as Ramadhani et al. (2019), Yaqin & Jatmiko (2018), Khariswan S. (2017), and Pujanira & Taman (2017) found that competencies in human resources affect the quality of information in LKPD.

Regulation

Mardiasmo (2002) argued that regulations are controlling tools to achieve an organization's goal that isn't pursued profit. Regulations are made based on circumstances and necessities within organizations. Indonesian government implements decentralization based on *Undang-Undang Republik Indonesia* Number 23 (2014), which gives local governments authority to manage every affair happening in their governments. Local governments are also given authority to manage their financial affair following *Undang-Undang Republik Indonesia* Number 33 (2004) with an amendment of *Peraturan Pengganti Undang-Undang Republik Indonesia* Number 1 (2020).

Regulations were also issued to Government Accounting Standards or *Standar Akuntansi*

Pemerintah (SAP). In Indonesia, SAP happens to be changed in SAP from cash-based accounting to accrual-based accounting. This is based on changes from *Peraturan Pemerintah Republik Indonesia* Number 24 (2005) to *Peraturan Pemerintah Republik Indonesia* Number 71 (2010). *Peraturan Kementerian Dalam Negeri Republik Indonesia* Number 64 (2013) was issued for local governments to implement accrual-based accounting. Although not all local governments have been fully implemented since it was issued up until 2015. Therefore, it is necessary to test the advisability of regulations before implementation and observe every aspect of regulations so that the one who implements can obey or follows them properly (Zuria, 2016). Good quality of information in LKPD is influenced by well-implemented regulations (Goo et al., 2019 & Kuasa et al., 2016).

Politics

The concept of politics is closely related to the public sector, especially in governments. Budiarmo (2005) stated that the purpose of politics is related to public, not private. The concept of politics is divided into five parts: the existence of a state, disseverance of power, decision-making, policy, and division or allocation. Politics is influenced by relating to coercive isomorphism, which is pressure within organizations to gain legitimacy (DiMaggio & Powell, 1983). Isomorphism is a process to equate characteristics of organizations with others for encounter conditions of its environment (Hawley, 1968).

Politics in governments involve parties such as the Head of State or Local and State or Local House of Representative (DPR/DPRD). In local financial, DPRD carries out one of its duty which is approving Local Annual Budget (APBD) that has been prepared along with the head of local (governor/mayor/regent). This is in line with *Undang-Undang Republik Indonesia* Number 17 (2003) with amendment of *Peraturan Pengganti Undang-Undang Republik Indonesia* Number 1 (2020). This relationship must be harmonious and stable to maintain public interest. Davici (2018) and Umaroh et al. (2017) also stated political environment influences implementation of country's policies. The quality of LKPD information could be better if coordination and cooperation between the head and staff of local are also better (Angelina, 2021).

Hypotheses Development

Based on the literature review that has been described previously, this research's hypotheses with the research's model are developed as follows.

H₁: Competencies Affects the Quality of Information in Local Government Financial Statements or LKPD.

H₂:Regulations Affects the Quality of Information in Local Government Financial Statements or LKPD.

H₃:Politics Affects the Quality of Information in Local Government Financial Statements or LKPD

H₄: Competencies, Regulation, and Politics Affects the Quality of Information in Local Government Financial Statements or LKPD

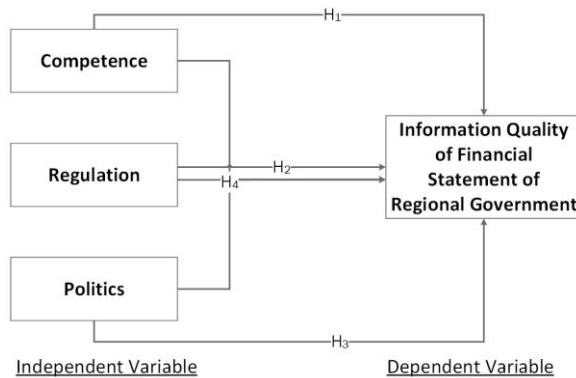


Figure 1: Research's Model
Source : Self-Processed, 2021

3. Research Method

This research is classified as quantitative research. This research tested hypotheses by accentuating causal relationships. Variables that are used in this research are competencies, regulations, politics, and the quality of information in Local Government Financial Statements.

Research Locations and Objects

This research collected data from Batam City Government. The object of this research was Local Apparatus Work Unit or *Satuan Kerja Perangkat Daerah* (SKPD) in Batam City Government. SKPD are work unit that have a responsibility under local government and works to provide public services. Batam City Government has 22 Offices or *Dinas*, 12 Sub-districts or *Kecamatan*, 1 General Hospital (RSUD), 1 Unit or *Satuan*, 5 Agencies or *Badan*, 2 Secretariats, dan 1 Inspectorats with a total of 44 SKPD.

Determination of Samples

The population of this research was SKPD in Batam City Government. The entire population was the sample of this research as *sensus* technique is used as sample size method. One person from each SKPD is taken as representative with a total sample of 44 persons. This research used purposive sampling to determine who would be the samples for data-collecting. The criteria of this research's sample are the Head of Finance/Accounting in SKPD as a proxy in compiling financial statements of SKPD in Batam City Government.

Type and Sources of Data

This research used primary data to collect research data. The type of data obtained is interval data. This research data collect from questionnaire because this research used survey technique as collecting-data method. The questionnaire used with statement-form instruments based on this research's variable indicator. Instruments in this research were sourced and developed by several researchs that is Mustapha et al. (2018), Kuasa et al. (2016), and Sudiarianti et al. (2015).

Variable's Operational dan Their Measurement

This research used three independent variables and one dependent variable. These variables have several indicators as the basis for this research's instruments. The following table are indicators of the research's variables.

Table 1
Variable's Operational and Their Measurement

Name of Variables	Indicators
Competencies	1. Knowledge
	2. Skills
	3. Attitude
Regulation	1. Regulatory Drafting Process
	2. Application of Regulation
	3. Linkage between Regulations
	4. Evaluation
Politics	1. Influence of Political Authorities
	2. Obstacle to Non-Compliance with Regulations
	3. Influence of State Government
	4. Audit Qualification
Quality Of Information in Financial Statements	1. Relevant
	2. Reliable
	3. Comparable
	4. Understandable

Source : Self-Processed, 2021

Data Collection and Analysis Techniques

Questionnaire data was distributed to all Heads of Finance in SKPD of Batam City Government. Questionnaire distributed using google form and responded by samples of this research. This research conducted validity and reliability tests, descriptive statistical analysis, and assumption tests. Hypotheses are tested using multiple linear regression analysis with SPSS application.

4. Result and Discussion

Respondent Characteristics

This research's data from distributing questionnaire obtained data related to characteristics of respondents or sample. These characteristics of respondents consist of gender, years of office, and educational

background. Tables 2, 3, and 4 show demographics of respondent's characteristics.

Table 2
Respondent's Characteristics Based on Gender

No	Gender	Number of Respondents	Percentage (%)
1	Male	12	27,3%
2	Female	32	72,7%
Total		44	100,0%

Source : Processed Data, 2021

Table 3
Respondent's Characteristics Based on Years of Office

No	Years of Office	Number of Respondent	Percentage (%)
1	< 5 Years	24	54,5%
2	5-10 Years	16	36,4%
3	> 10 Years	4	9,1%
Total		44	100,0%

Source : Processed Data, 2021

Table 2
Respondent's Characteristics Based on Educational Background

No	Educational Background	Number of Respondents	Percentage (%)
1	Master Degree	7	15,9%
2	Bachelor Degree	35	79,5%
3	Associate Degree	1	2,3%
4	High School	1	2,3%
Total		44	100,0%

Source : Processed Data, 2021

Research Instrument Test

This research requires conducting validity and reliability tests on instrument that are used to collect research data. This is intended to determine whether the research instruments on the questionnaire have performed well and provided reliable results. This test was conducted on the first 30 respondents who filled out the research questionnaire. These tests are done by using SPSS application which obtains the following results.

Table 3
Validity Test Result

Variable	Items	Correlation	R-Table	Result
Competencies	C ₁	0,541	0,361	Valid
	C ₂	0,672	0,361	Valid
	C ₃	0,485	0,361	Valid
	C ₄	0,657	0,361	Valid
	C ₅	0,640	0,361	Valid
	C ₆	0,524	0,361	Valid
Regulation	R ₁	0,859	0,361	Valid
	R ₂	0,923	0,361	Valid
	R ₃	0,849	0,361	Valid
	R ₄	0,748	0,361	Valid

Table 5
Descriptive Statistical Analysis Result

Variable	N	Minimum	Maximum	Sum	Mean	Standard Deviation	Variance
Competencies	44	16	24	888	20,18	2,116	4,478
Regulation	44	24	36	1362	30,95	3,778	14,277
Politics	44	10	16	588	13,36	1,930	3,725

Politics	R ₅	0,852	0,361	Valid
	R ₆	0,781	0,361	Valid
	R ₇	0,744	0,361	Valid
	R ₈	0,845	0,361	Valid
	R ₉	0,709	0,361	Valid
	P ₁	0,831	0,361	Valid
	P ₂	0,774	0,361	Valid
	P ₃	0,774	0,361	Valid
	P ₄	0,821	0,361	Valid
Quality of information in Financial Statement	LKPD ₁	0,850	0,361	Valid
	LKPD ₂	0,837	0,361	Valid
	LKPD ₃	0,833	0,361	Valid
	LKPD ₄	0,892	0,361	Valid
	LKPD ₅	0,872	0,361	Valid
	LKPD ₆	0,931	0,361	Valid
	LKPD ₇	0,852	0,361	Valid
	LKPD ₈	0,778	0,361	Valid

Source : Processed Data, 2021

Based on table 5, all of the instrument items have correlation values that are not smaller than the r-table value. This result conclude that all statements used in this research's instrument are valid so that the instrument has performed well according to its function.

Table 4
Reliability Test Result

Variable	Cronbach's Alpha	Value Limit	Result
Competencies	0,608	0,600	Reliable
Regulation	0,933	0,600	Reliable
Politics	0,798	0,600	Reliable
Quality of Information in Financial Statement	0,948	0,600	Reliable

Source : Processed Data, 2021

The results from table 6 show all of the variable's statements for the instruments have Cronbach's Alpha values that exceeds the limit of 0.600. This can conclude that all statements used in this research's instrument have reliable results.

Descriptive Statistical Analysis

Descriptive statistical analysis was carried out with the aim of showing an overview of this research's data results that had been collected according to the variable. Collected data analyzed using SPSS application with a description of standard deviation, average, maximum, minimum, sum, and variance of each answer from each variable in the instrument. The results of this analysis are described in table 7.

Quality of information in Financial Statement	44	24	32	1230	27,95	3,368	11,347
Valid N (<i>listwise</i>)	44						

Source : Processed Data, 2021

Assumption Test

Before testing this research hypotheses, it is necessary to test whether research data meets the requirements to conduct analysis data. The tests include normality test, multicollinearity test, and heteroscedasticity test. The test done by using SPSS application with results will be explained further as follows.

Table 6
Normality Test Result

		Unstandardized Residual
N		44
Normal Parameters	Mean	0,0000000
	Std. Deviation	1,90862756
Most Extreme Differences	Absolute	0,086
	Positive	0,055
	Negative	-0,086
Test Statistic		0,086
Asymp. Sig. (2-tailed)		0,200

Source : Processed Data, 2021

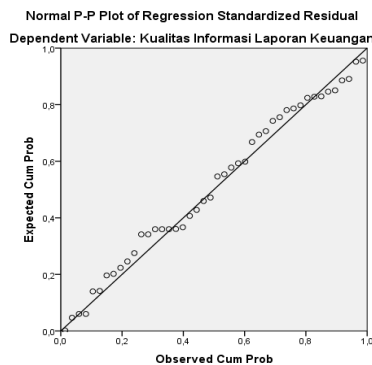


Figure 2: Distribution of Normal Data Graph (P-Plot)
Source : Processed Data, 2021

Based on table 8, the significance value of the results are 0.200. This value is not smaller than the limit, which is 0.050. Judging from the p-plot graph in figure 2, every point representing data of variables are distributed near to diagonal line and following the pattern of the line. In conclusion, this research's data are distributed normally.

Table 7
Multicollinearity Test Result

Variable	Collinearity Statistics		Result
	Tolerance	VIF	
Competencies	0,656	1,525	Multicollinearity Doesn't Occur
Regulation	0,550	1,818	Multicollinearity Doesn't Occur
Politics	0,749	1,336	Multicollinearity Doesn't Occur

Source : Processed Data, 2021

Based on table 9, VIF and tolerance values of each independent variable are closed to 1. All tolerance values are not smaller than 0.100 and all VIF values are not greater than 10. These results conclude that there is no multicollinearity that happened so all of independent variables in this research have a quite strong correlation.

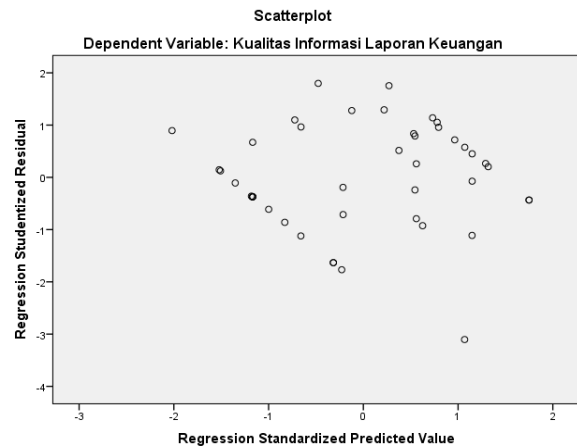


Figure 3: Scatterplot Graph
Source : Processed Data, 2021

Grafik dari gambar 3 memperlihatkan bahwa titik-titik yang menggambarkan data variabel tersebar di antara atas dan bawah garis Y atau angka 0. Selain itu, titik-titik digambarkan dengan pola yang tidak jelas dan tidak banyak berkumpul melainkan tersebar. Hal tersebut dapat disimpulkan bahwa tidak ditemukan adanya heteroskedastisitas sehingga model regresi yang akan digunakan sudah baik.

Multiple Linear Regression Model

This research used multiple regression linear analysis. To look regression coefficient of this regression equation, a test was carried out with thresult as follows.

Table 10
Coefficient of Multiple Regression Result

Variabel	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	0,420	3,183	
Competencies	0,471	0,176	0,296
Regulation	0,473	0,108	0,530
Politics	0,254	0,181	0,146

Source : Processed Data, 2021

Based on result in table 10, equation of this research was formulated with explanation as follows:

$$Y = 0,420 + 0,471K + 0,473R + 0,254P + e \quad (1)$$

Description:

Y = Quality of Information in Financial Statement

α = Constant

K = Competencies

R = Regulation

P = Politics

e = Error

Hypotheses Test

There are two of types hypotheses for this research, that is test the effect of independent variables in partial and simultaneous on the dependent variable. To test independent variables partially, this research conducted the t-value test. Meanwhile, the simultaneous-effect test is conducted by the F-value test and the determination coefficients test. Based on the test that has been conducted, the results were obtained that will be explained as follows.

Table 8
t-Value Test Result

Variable	t	sig	Result
(Constant)	0,132	0,896	
Competencies	2,673	0,011	Supported
Regulation	4,390	0,000	Supported
Politics	1,408	0,167	Not Supported

Source : Processed Data, 2021

Table 11 shows that t-values of competencies and regulations variables are not less than the t-table which is 2.021 and significant values are less than 0.050. However, the t-value of politics variable is less than the t-table and the significant value is greater than 0.050. These results concluded that based on this test, competencies and regulations variable affect the quality of information of financial statements while politics variable has no effect.

Table 9
F-Value Test Result

Model	Sum of Square	df	Mean Square	f	Sig.
Regression	331,266	3	110,422	28,197	0,000
Residual	156,643	40	3,916		
Total	487,909	43			

Source : Processed Data, 2021

Table 12 result found that F-value obtained by this test is 28.197. This value is greater than the F-table which is 2.830. This result proves that simultaneously all independent variables that are competencies, regulation, and politics affect the quality of information in financial statements as dependent variable.

Table 10
Determination Coefficients Test Result

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson

1	,824	0,679	0,655	1,979	2,280
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Source : Processed Data, 2021

Based on table 13, the determination coefficient value or R² obtained on this test is 0.679. It means, simultaneously, competencies, regulation, and politics have influenced 67.9% of the quality of information in financial statements. The remaining which is 32.1% can be influenced by other variables that are not included in this research's regression model.

Discussion

The Effect of Competencies on Quality of Information in Local Government Financial Statements

Based on the test results above, it can be concluded that the first hypothesis or H₁ of this research is supported. This is a prove that competencies affect the quality of information in local government financial statements. Competencies is one of the essential things in performing a job especially when it comes to preparing financial statements. Competencies can be seen in their knowledge, skills, and attitude. Based on the answer from respondents, it can conclude that all of Head of Finance in SKPD of Batam City Government believe that they have good knowledge, good skills, and good attitudes that could be applied in preparing local government financial statements or LKPD. This can create a better quality of information in financial statement of local government. This result is line with researches by Haliah & Nirwana (2019), Ramadhani et al. (2019), Pujanira & Taman (2017), and Sudiarianti et al. (2015).

The Effect of Regulations on Quality of Information in Local Government Financial Statements

Based on the test results above, it can be concluded that the second hypothesis or H₂ of this research is supported. This is a prove that regulations affect the quality of information in local government financial statements. LKPD are arranged based on regulations issued by the higher government. The application of the Government Accounting Standard or SAP must be in line with *Peraturan Pemerintah Republik Indonesia* Number 71 (2010) and it must be implemented properly especially in local government to produce a better quality of information in local government financial statements. Based on answer from respondents, all of Head of Finance in SKPD of Batam City Government agree that regulations for preparing financial statements have procedure and system that has been implemented properly. Besides, the transition from changes of regulations through *Peraturan Kementerian Dalam Negeri Republik Indonesia* Number 64 (2013) has motivated to be able to understand so that there is no more hindrance in implementing it. This result is in line with researches by Goo et al. (2019) and Kuasa et al. (2016) but

contrary to research by Zuria (2016).

The Effect of Politics on Quality of Information in Local Government Financial Statements

Based on the test results above, it can be concluded that third hypothesis or H_3 of this research is not supported. This is a prove that politics don't affect the quality of information in local government financial statements. Government in administration could be affected by political situation. The situation could be affected by several things. One of them is Head of Local such as governor, regent, and mayor with State or Local House of Representative or DPRD who takes control in establishing strategies to run its governments. Moreover, there is influence from the dependence of local government to higher government, in this case, state government, who established regulations in local government. In addition, the hindrance in obeying regulations and audit qualifications from Audit Board or BPK are also things that influenced the political situation. However, based on this result, it found that politics did not affect the quality of information in local government financial statements. This result showed that the political situation, especially in Batam City Government, did not affect preparation of financial statements so the quality of information did not affect it. This can be shown by the achievement of Batam City Government in receiving unqualified opinion or WTP by BPK from 2012 to 2020. BPK in 2020 found several problems in financial management such as revenue management, expenditure management, and assets management. However, according to BPK, this does not affect the fairness of Batam City Government Financial Statement's presentation so the quality of its information has no effect. This is contrary to researches by Angelina (2021), Haliah & Nirwana (2019), and Mustapha et al. (2018).

The Effect of Competencies, Regulation, and Politics on Quality of Information in Local Government Financial Statements

Based on the test results above, it can concluded that the fourth hypothesis or H_4 of this research is supported. This proves that competencies, regulation, and politics simultaneously can affect the quality of information in local government financial statements. These factors could be responsibility especially for local government so they need to pay attention to it for managing all of its activities, especially its financial. Based on the result of multiple linear regression, competencies, regulation, and politics contributed 67.9% in influencing the quality of information in local government financial statements. The remaining which is 32.1% are influenced by other variables that are not included in this research.

5. Conclusion

This research aims to test the influence of competencies,

regulation, and politics on the quality of information local government financial statements which been held in Batam City Government. This research used survey technique by distributing questionnaire to all of Head of Finance in SKPD of Batam City Government with a total of 44 respondents. This research found several results that can be concluded as follows.

1. Competencies affect the quality of information in local government financial statements or LKPD. Competencies can be seen from knowledge, skills, and attitudes. If these three aspects are fulfilled, then the quality of information in LKPD will increase.
2. Regulations affect the quality of information in local government financial statements or LKPD. Regulations with good systems and procedures and also with good implementation can improve the quality of information in LKPD.
3. Politics does not affect the quality of information in local government financial statements or LKPD. Political situation, especially in Batam City Government, does not influence presentation of its financial statements. This can be seen from unqualified opinion by BPK on Batam City Government financial statements which has been obtained from 2012 to 2021.
4. Competencies, regulation, and politics simultaneously affect the quality of information in local government financial statements or LKPD by contributing 67.9% of influence on LKPD.

This research has several limitations for development of future researchs. Some of this research limitations are;

1. this research focuses on one location, that is Batam City Government, therefore this research result cannot be generalized to all objects which is local government;
2. independent variable used in this research only focused on competencies, regulation, and politics;
3. this research used questionnaire as data source so that the result may be subjective and biased; and
4. this research takes Head of Finance/Accounting as respondent that represents objects of this research which is SKPD.

There are several suggestions as consideration for present and future research. These suggestion are as follows.

1. Batam City Government should consider aspects of competencies that its staff have and implementation of regulations for improving and maintain its quality of information in its financial statements.
2. Further research can add several independent variables apart from this research's independent variable such as the use of information technology and organizational commitment.
3. Further research recommended to used other data

collect technique such as interview to respondent of their research or expertise that understand systematically preparing local government financial statements so the results are more accurate.

4. Further research can add sample of their research such as staff of finance in each SKPD because they also play direct role in preparing local government financial statements.

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