The Influence of Human Resource Competencies on The Quality of Financial Statements: Lessons from Indonesia

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Abstract

The increasing demand for good governance has encouraged the government to implement public accountability. One form of accountability in governance is to realize the accountability and transparency of government financial management, through the submission of accountability reports in the form of financial statements. The Navy Headquarters Work Unit is also tasked with preparing accountable and transparent financial reports. Empirical facts show that there are still several problems in realizing the quality of the financial statements (LK) of the Headquarters Satker, especially those caused by the competence of human resources (HR). This study aims to determine the effect of Human Resources competence on the quality of the Headquarters Satker financial statements. The population in this study were personnel serving in the Navy Finance Service (Diskual). The research method used is quantitative with a survey design. The results of this study found that: 1) Human Resource Competence has a positive and significant effect on the quality of Financial Statements. The limitations of this study are put forward as a reference for further research to produce better research. Some of these limitations are the uneven diversity/variation of age, length of service and work experience of respondents (across generations) and data collection carried out at a certain time, so that variations in perception are uneven and cannot be seen continuously.

Keywords: Influence, Human resource competence, quality of financial statements, Indonesia.

I. Introduction:

One form of accountability in government administration regulated in Law Number 17 of 2003 concerning State Finance is to realize transparency and accountability in government financial management, through the submission of accountability reports in the form of financial statements. Financial reports are prepared to present information about the financial position, budget realization, excess budget balance, cash flow, operating results, and changes in equity of a reporting entity that is useful for users in making and evaluating decisions regarding resource allocation (Erlina, et.al, 2015).

Government financial reports are presented as a form of accountability of each reporting entity which includes central government financial reports, financial reports of state ministries

/ agencies, and local government financial reports (Bastian, 2010). Financial reports describe the achievement of program and activity performance, progress in achieving revenue targets, realization of expenditure absorption, and realization of financing (Bastian, 2010). The components of the financial statements consist of budget realization

reports, statements of changes in excess budget balances, balance sheets, operational reports, cash flow statements, statements of changes in equity, and notes to financial statements (Erlina, et.al, 2015). Financial reports are the final result of the accounting process that presents information that is useful for decision making by various interested parties (Bastian, 2010). To produce quality financial reports is not an easy thing, because the preparation of financial reports is influenced by several factors, one of which is the competence of human resources.

The demand for the quality of financial reports of government entities must be answered by improving and increasing the competence of Human Resources (HR). The definition of HR competence is HR that has good quality, understands accounting and finance and has an education with an appropriate background in its responsibilities, namely accounting and finance, so that it will result in good financial management (Saraswati, et.al, 2019). HR competence is needed in order to support the implementation of government financial management, preparation of good, transparent financial reports and avoid recording and calculation errors. HR who have good competence will definitely be able to work optimally so that organizational goals can be achieved and run well. HR who have knowledge of accounting will understand what should be done so that financial reports can be prepared and presented in accordance with the time (Riandani, 2017). With the existence of human resources who are competent in using the system, the time for preparing financial reports will be saved. This is because these human resources already have knowledge and understanding of the things that must be done, so that the financial reports that are prepared can be completed and presented on time. The faster the financial reports are presented, the better it will be in terms of decision making (Mardiasmo, 2009).

HR competence has a very important role in planning, implementing and controlling the entity concerned. Competence is a characteristic of a person that can be seen from the skills, knowledge and abilities he has in terms of completing the tasks assigned to him (Wati, et.al, 2014). Competence is the basis for a person to achieve high performance. HR who do not have competence will not be able to complete their work efficiently, effectively and economically. In this case the work produced will not be on time and there is a waste of time and energy.

In the field of government, it is known that the increase in the State Budget (APBN) each year has implications for increasing the quantity and complexity of government financial transactions so that it must be followed by an increase in government financial management capabilities. For this reason, the government needs to optimize the use of advances in information technology to build a network of management information systems and work processes that allow the government to work in an integrated manner by simplifying access between work units.

As one part of the Ministry / Institution, the Indonesian Navy (TNI AL) must be willing and able to become the subject of providing information on financial activities and performance that is needed accurately, relevant, timely, consistent and reliable. According to Suwardjono (2005), useful information is information that has value, is reliable and can be used to support decision making. Therefore, the Navy must pay attention to the information presented in the financial statements for the purposes of planning, controlling, and decision making. The problem faced by the Navy at this time is that the financial statements prepared are not fully accountable.

Another problem faced at this time is the limited quality of human resources of personnel serving in the Navy Finance Office (Diskual) as the compiler of the Navy Financial Report. In general, the educational background and *training/training* in the financial sector required for Diskual personnel are still very limited. Of the 133 Diskual personnel, only 12 people are registered to have attended *training/training in* finance. The data on personnel who have attended *training/training* in finance to support the preparation of the Navy's financial statements are shown in the following table:

Table 1. Types of Training/Training in Finance in 2022

NO	TYPE OF TRAINING/COURSE	NUMBER OF PERSONNEL
1.	Expenditure Treasurer Certification Course	4 people
2.	Coklit Financial Accountability Course	3 people
3.	Sakti Operator Course	1 person
4.	Receiving Treasurer Certification Course	1 person
5.	Accounting Course	-
6.	Employee Expenditure Administration Management Officer (PPABP) Operator Course	-
7.	System Accounting Agency (SAI) Course	-
8.	Certificate Course for Treasurer Expenditure Officer Signing the Pay Order (SPM)	-
9.	Personnel Expenditure Administration Management Officer (PPABP) Managerial Course	1 person
10.	Financial Statement Preparation Course	2 people

Source: Navy Finance Office, 2023

Table 1. above shows that the number of Diskual personnel participating in training/training in the financial sector is still very limited, and there are even some training/training that Diskual personnel do not participate in. This is one of the factors that cause the non-optimal competence of Diskual personnel in preparing quality Navy financial reports. Based on the description above, the researcher feels it is important to conduct research with the title "The Influence of Human Resource Competence on the Quality of Financial Statements, a study of the Indonesian National Army Navy.

II. Literature Review:

Human Resource Competency Theory;

Human resources (HR) is one of the most important elements in an organization because HR can determine the success of the organization in achieving goals. According to Nawawi, there are three definitions of HR, namely 1) HR are humans who work within an organization (also called personnel, workforce, workers, or employees). 2) HR is the potential that is an asset and functions as capital (non-material/non-financial) in a business organization, which can be a real potential physically and non-physically in realizing the existence of the organization. 3) HR is the human potential as the driving force of the organization in realizing its existence.

Competence is a basic characteristic of a person that indicates the way of thinking, behaving, and acting and drawing conclusions that can be done and maintained by a person at a certain period of time (Moeheriono, 2012). Competence is an ability to carry out or perform a job or task based on skills and knowledge and supported by the work attitude required by the job (Wibowo, 2016). According to Armstrong and Baron, competence is a behavioral dimension that is behind performance (Wibowo,

2016). It is often called behavioral competence because it is intended to explain how people behave when they perform their roles well. McClelland defines competency as a fundamental characteristic that a person has and has a direct effect on, or can describe excellent performance. In other words, competence is what outstanding performers do more often in more situations with better results, than what average performers do (Zainal, et.al., 2015).

Financial Statement Theory:

According to Hongren (2007), financial statements are documents that report on the condition of the company in monetary terms and provide information to assist in making decisions based on this information, while the presentation of financial statements is the stage of submitting financial data including notes to financial statements which are intended to communicate the resources or liabilities of an entity in a certain period, or related accounting information to parties who need to support their actions in making business decisions. Belkaoui

(2015) states that the qualifications of financial statements are relevance and materiality, form and substance, reliability, freedom from bias, comparability, consistency, and understandability. From these characteristics it can be explained that financial reports should be based largely on the needs of the users of the report. Information should be as far as possible free from the bias of the author. In making decisions, users should not only understand the information presented but should also be able to assess its reliability and compare it with information about alternative opportunities and previous experience.

III. Research Methods:

This type of research uses quantitative methods with a survey design. Quantitative method is defined as a research method based on the philosophy of positivism, used to research on certain populations or samples, data collection using research instruments, data analysis is quantitative / statistical with the aim of testing predetermined hypotheses (Sugiyono, 2016). The

survey design in this study was carried out by distributing questionnaires or questionnaires. the research location chosen in this study was the Navy Finance Service (Diskual). In this study there are 2 variables: 1) Exogenous Variables: Human Resources Competence (X). 2) Dependent Variable: Quality of Financial Statements (Y). The research instrument using the questionnaire method should be prepared based on the indicators that have been described in the variable operational table so that each question to be asked to each respondent is clearer and can be structured. In general, the scoring technique used in this research questionnaire is the Likert Scale.

IV. Results and Discussion:

Overview of the Naval Financial Service;

The Navy Finance Office (Diskual) is a Central Executive Agency (Balakpus) of the Navy which is domiciled under and responsible to the Chief of Staff of the Navy (Kasal). As an Echelon-1 Finance Agency within the Navy, Diskual is tasked with organizing financial guidance which includes financing, controlling, bookkeeping, accounting, reporting and accountability of state finances as well as administrative management of disciplinary savings for soldiers and civil servants in order to support the main tasks of the Navy. Diskual is led by the Head of the Navy Financial Service (Kadiskual) who is held by a Navy High Officer with the rank of 1 (one) star who is domiciled under and responsible to the Chief of Staff, in the implementation of daily tasks coordinated by the Wakasal. The Kadiskual is assisted by the Secretary of the Navy Financial Service (Sekdiskual), who is held by a Navy Medium Officer with the rank of Colonel.

Description of Research Variables:

The purpose of the description of the research variables which is part of the descriptive statistical analysis is to determine the description of the empirical conditions of each variable at the time the research was conducted. Descriptive analysis in the form of frequency distribution of respondents to questionnaires distributed and describing in depth the variables of Human Resources Competence

(X), and Quality of Financial Statements (Y). Research on the relationship between Human Resource Competencies and the Quality of Financial Statements was conducted at Diskual. Measurement of these variables is based on each indicator or question item in accordance with the dimensions of the variables built based on theories and research results. Data collection carried out in this study used a questionnaire and respondents' answers were quantified with a Likert scale score with score criteria of 1 to 5. According to Supranto (2016), if the average score is to be interpreted, it is better if the interpretation directly uses scoring. Table 2 below is the score interpretation.

Table 2 Score Interpretation Criteria

Average Score	Description
1 - 1,5	Very low / very bad
1,5 - 2,5	Low / bad
2,5 - 3,5	Medium
3,5 - 4,5	High / good
> 4,5	Very high / very good

Source: Solimun, et al (2017)

Human Resources Competency Variable:
The HR Competency variable is measured by 3 indicators. These indicators are *Knowledge*, *Skills* and *Attitude*. Table 3 below presents a description of the HR Competency variable in the form of a frequency distribution.

Table 3. Frequency Distribution of HR Competency Variable Answers

Indicator	Item	STS		TS		KS		S		SS	
		f	%	F	%	f	%	f	%	f	%
Knowledge	HR.1	-	-	-	-	3	3	54	54	43	43
	HR.2	-	-	-	-	5	5	51	51	44	44
	HR.3	-	-	-	-	10	10	59	59	31	31
	HR.4	-	-	-	-	10	10	61	61	29	29
Skills	HR.5	-	-	-	-	8	8	56	56	36	36
	HR.6	-	-	-	-	7	7	47	47	46	46
	HR.7	-	-	-	-	3	3	53	53	44	44
	HR.8	-	-	1	1	2	2	52	52	45	45
Attitude	HR.9	-	-	-	-	10	10	56	56	34	34
	HR.10	-	-	-	-	12	12	60	60	28	28
	HR.11	-	-	-	-	7	7	64	64	29	29
	HR.12	-	-	-	-	10	10	60	60	30	30

Source: Research data, 2024

Based on table 3. it can be seen that there are 4 items that explain the Knowledge indicator. For item HR.1 (I have an educational background that supports the implementation of tasks in the financial sector), the majority of respondents gave Agree and Strongly Agree answers, namely 54% and 43% respectively. In addition, the majority of respondents also gave Agree (51%) and Strongly

Agree (44%) answers to item HR.2 (I have sufficient knowledge to complete my tasks and work in finance). At item HR.3 (I strive to improve my knowledge in finance, especially those related to my duties and responsibilities), the majority of respondents gave Agree (59%) and Strongly Agree (31%) answers. The majority of respondents also gave Agree (61%) and Strongly Agree (29%) answers to item HR.4 (my workplace provides opportunities to improve knowledge in finance).

Table 3. also shows that there are 4 items for the *Skill* indicator. At item HR.5 (skills are an absolute requirement to be able to complete every task and job well), the majority of respondents gave Agree and Strongly Agree answers, namely 56% and 36% respectively. In addition, the majority of respondents also gave Agree (47%) and Strongly Agree (46%) answers to item HR.6 (one of the efforts to improve skills in the financial sector is to attend *training/training*). At item HR.7 (one of the skills needed in the field of finance / accounting is computer operational skills), the majority of respondents gave Agree (53%) and Strongly Agree (44%) answers. The majority of respondents also gave Agree (52%) and Strongly Agree (45%)

answers to HR item.8 (personnel with good skills will produce better performance).

The Attitude indicator is explained by 4 items. In item HR.9 (I can always complete every task/job given on time), the majority of respondents gave Agree and Strongly Agree answers, namely 56% and 34% respectively. In addition, the majority of respondents also gave Agree (60%) and Strongly Agree (28%) answers to item HR.10 (*team work is* needed to realize organizational success). In item HR.11 (I prefer to work in a *group* compared to working independently), the majority of respondents gave Agree (64%) and Strongly Agree (29%) answers. The majority of respondents also gave Agree (60%) and Strongly Agree (30%) answers to HR item.12 (cooperation and tolerance are the main requirements needed to realize the efficiency and effectiveness of financial reports).

Financial Statement Quality Variable

LK quality variable is measured by 3 indicators. These indicators are Relevant, Reliable and Comparable. The following table 4. presents a description of the LK Quality variable in the form of a frequency distribution.

Table 4. Frequency Distribution of LK Quality Variable Answers

Indicator	Item	STS		TS		KS		S		SS	
		f	%	f	%	f	%	f	%	f	%
Relevant	LK.1	-	-	-	-	6	6	53	53	41	41
	LK.2	-	-	-	-	4	4	54	54	42	42
	LK.3	-	-	-	-	7	7	51	51	42	42
Reliable	LK.4	-	-	-	-	2	2	50	50	48	48
	LK.5	-	-	-	-	8	8	51	51	41	41
	LK.6	-	-	-	-	9	9	51	51	40	40
Comparability	LK.7	-	-	-	-	4	4	55	55	41	41
	LK.8	-	-	-	-	2	2	64	64	34	34
	LK.9	-	-	-	-	6	6	61	61	33	33
Understandable	LK.10	-	-	-	-	2	2	56	56	42	42
	LK.11	-	-	-	-	4	4	58	58	38	38
	LK.12	-	-	-	-	4	4	54	54	42	142

Source: Research data, 2024

Based on table 4. it can be seen that there are 4 items that explain the Relevant indicator. For item LK.1

(financial statement information generated in accordance with Government Accounting

Standards (SAP)), the majority of respondents gave Agree and Strongly Agree answers, namely 63% and 41% respectively. In addition, the majority of respondents also gave Agree (54%) and Strongly Agree (42%) answers to LK.2 items (financial statements provide information that can be used to evaluate past financial activities). At item LK.3 (financial statements produce complete information, covering all information needed in decision making), the majority of respondents gave Agree (51%) and Strongly Agree (42%) answers. The majority of respondents also gave Agree (50%) and Strongly Agree (48%) answers to LK.4 items (completeness of information is one of the indicators in assessing the quality of financial statements).

Table 4. also shows that there are 4 items for the Reliable indicator. In item LK.5 (financial statements produce honest information in accordance with transactions and other financial events that should be presented), the majority of respondents gave Agree and Strongly Agree answers, namely 51% and 41% respectively. In addition, the majority of respondents also gave Agree (51%) and Strongly Agree (40%) answers to LK.6 items (the information reported in the financial statements is needed in financial accountability). At item LK.7 (information reported in the financial statements can meet user needs), the majority of respondents gave Agree (55%) and Strongly Agree (41%) answers. The majority of respondents also gave Agree (64%) and Strongly Agree (34%) answers to LK.8 items (the information in the financial statements can be used by *users* as needed).

The Comparability indicator is explained by 4 items. At item LK.9 (Financial statement information can be compared with the financial statements of the previous period), the majority of respondents gave Agree and Strongly Agree answers, namely 61% and 33% respectively. In addition, the majority of respondents also gave Agree (56%) and Strongly Agree (42%) answers to LK.10 items (the preparation of financial statements must be guided by SAP from year to year). At item LK.11 (the preparation of financial

statements must pay attention to the completeness of the elements of the financial statements), the majority of respondents gave Agree (58%) and Strongly Agree (38%) answers. The majority of respondents also gave Agree (54%) and Strongly Agree (42%) answers to LK.12 items (the preparation of financial statements is based on established rules).

The Effect of Human Resource Competencies (X) on the Quality of Financial Statements (Y)

Hypothesis testing shows that HR competence has a positive and significant effect on LK quality. The positive effect can be seen from the sign of the *path coefficient*, which is 0.353. Meanwhile, the significant effect is explained by the *p-value* which is less than 0.05, namely

0.007. Based on this hypothesis test, it can be concluded that the better the competence of HR, the better the quality of LK. The results of hypothesis testing are also supported by empirical conditions in the Disks, as shown by the measurement model and descriptive analysis results.

Diskual personnel assess that HR competencies in the organization are in the good category, as evidenced by the average value of variable scores in the range (3.21 - 4.41). The good HR competence is also reflected by indicators of *knowledge*, *skills* and *attitudes*. The indicator that best reflects the HR competency variable is *skill*, with an average score of 4.37 (good category). This indicator shows that skills are an absolute requirement to be able to complete each task and job properly. One of the efforts to improve the skills of personnel in the financial sector is by attending *training*. One of the skills needed in finance/accounting is computer operational skills. Diskual personnel have also realized that personnel with good skills will produce better performance.

In addition, the quality of LK has also been classified as high. This can be seen from the average score of the LK quality variable which is in the good category (4.27-4.46). The good quality of LK is reflected by relevant, reliable and comparable indicators. This condition is mainly

reflected by the relevant indicator, which is considered good with an average score of

4.39. The quality of LK prepared by Diskual is considered to be in accordance with Government Accounting Standards (SAP). The information in the financial statements can be used to evaluate past financial activities. In addition, the financial statements produced also reflect complete information, covering all information needed in decision making.

Based on the description above, it can be seen that HR Competence and LK Quality are included in the good category. This is empirical evidence that good HR competencies will have a positive effect on improving the quality of LK. Thus, in order to improve the quality of LK in the Diskual environment, it can be implemented through improving HR competencies by paying attention to the factors of knowledge, skills and attitudes.

The effect of HR competence on LK quality is based on competency theory. This theory is put forward by Moeheriono (2012), where competence is a basic characteristic of a person that indicates how to think, behave, and act and draw conclusions that can be carried out and maintained by a person at a certain time period. Meanwhile, HR competencies according to Mangkunegara (2016) are competencies related to knowledge, skills, abilities and personality characteristics that directly affect their performance.

V. Conclusion:

Based on the results of the research and discussion described in the previous chapter, it can be concluded that, there is a positive and significant influence between human resource competencies on the quality of financial reports, meaning that improving the quality of financial reports can be done through increasing the competence of human resources. Good human resource competencies can be reflected in knowledge, skills and attitude.

Based on the findings above, the researcher provides several suggestions and recommendations to stakeholders and future researchers as follows: This research was conducted on personnel serving at Diskual, so if it is carried out on populations and samples in other places, it is likely that different research results will be obtained and will add more specific and comprehensive input. Further research can be conducted at other agencies by adding several variables.

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