

Influence of Human Resources Competency and Prevention of Fraud against the Quality of Government Financial Statements in Gorontalo Province

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Abstract:- This study aims to determine the influence of human resource competence on the quality of government financial statements by preventing fraud as an intervening variable. The approach in this study is quantitative with *ex post facto* method. The data in this study is primary data through questionnaires. Data analysis used is descriptive analysis and inferential analysis (SEM PLS). The results of this study show that (1) Human resource competencies have a positive but insignificant effect on the quality of government financial statements. (2) Human resource competence has a positive and significant effect on the quality of government financial statements. (3) Fraud Prevention has a positive and significant effect on the quality of government financial statements. (4) Competence of human resources through fraud prevention has a positive but insignificant effect on the quality of government financial statements.

Keywords:- HR Competency, Fraud Prevention, Financial Report Quality.

I. INTRODUCTION

Financial statements for the government become an illustration that the government can conduct a good governance activity even more if the financial statements have quality in accordance with the qualitative standards of financial statements. Nevertheless, the government often ignores the problem of fraud that occurs and seems to be confused with the existence of unqualified opinion (WTP) for the District / City even in the Provincial government. Fraud problems can occur in central and local government agencies, including the Gorontalo Provincial Government. Gorontalo Province received an Unqualified Opinion (WTP) from the Audit Board of the Republic of Indonesia. However, BPK RI still found the problem of the presentation of financial statements is not orderly.

BPK RI still finds the problem of presentation of financial statements is not orderly. As revealed by the Head of the Main Directorate of Development and Development

of The State Financial Examination Law BPK RI, among the presentation of financial statements that are considered disciplinary is the distribution of funds for School Operational Assistance (BOS). There are excess funds that have not been returned to the public cash account of the Gorontalo Provincial Government. Receipt of BOS funds disbursed through school accounts is still taxable and there is a tax deposit by the BOS treasurer. In addition, said Nizam, the realization of the use of grants from the Central Government to the Gorontalo Provincial Government has not been recorded in the financial statements, among others there are cash assistance grants for program activities and fulfillment of facilities and infrastructure from the central government that are directly provided

Related to the quality of financial statements This research is focused on local revenue generating agencies (PAD) in Gorontalo province and districts/ cities. These agencies are the Tourism Office, Health Office, Koperindag Office, Transportation Office, Public Works Office, Finance Agency, Environment Agency, DPM-PTSP and Regional General Hospital (RSUD). This is based on field observations that these agencies, employees tend to take actions that are able to reduce the original revenue of the region such as some of the original revenue of the region is not deposited or other irregularities in the field carried out by employees of the local revenue-generating agencies.

Some things to note in preparing quality local government financial statements, among others; competence of Human Resources and commitment in the prevention of fraud. This is supported by various researches that have been conducted including Riandani research (2017) which proves that human resources competence has a positive influence on the quality of financial statements. Human Resources that can be said to be good as the organizer of the state apparatus is characterized by his attitude and behavior that is full of loyalty and obedience to the state, moral and well-behaved, professional, aware of his responsibilities as a public servant and able to adapt to changes in the prevailing laws and regulations.

The role of human resources One of the big problems for companies is finding professional and skilled Human Resources in an instant, both in terms of technology, especially in terms of managerial. If the human resources problems are not fixed, then this will have a negative impact on the productivity, efficiency and competitiveness of the company. Therefore, one of the company's goals and strategies is to develop the technological, managerial, and professionalism capabilities of human resources, as well as increase productivity by increasing the value-added contents of products and or services faster than its competitors, (Iswanto, 2014).

Competence of human resources is important in managing and presenting financial information so that the financial statements prepared can be timely, therefore it is expected to be able to improve the quality of financial statements, it is needed not only the number of human resources but the competence of the human resources. The competence of human resources in Gorontalo province has been very good because of the activeness of the Regional Staffing Agency (BKD) in mapping positions and placements suitable for employees. But related to this, the placement of employees is still less concerned with competence, this is seen from the 7 governments in Gorontalo Province there are only 2 governments namely Gorontalo province and Gorontalo regency that conduct CAT tests for employees to conduct placements based on their competence, especially in financial management.

Meanwhile, fraud prevention is a measure taken to minimize the possibility of fraud, limit or minimize losses that may arise in the event of fraud (Anggraeini, 2010). Cheating is a behavior in which a person takes or intentionally benefits dishonestly from others. A crime is a deliberate act that violates a criminal law that is legally not allowed where a country follows the law and punishes the offence committed. This distinction is important, because not all cheating is a crime and most crimes are not cheating. Organizations suffer losses from fraud, but police and other law enforcement agencies can take action only against crimes. So it must be prevented by important elements in government.

Various studies base researchers in raising this title where the fundamental reason is because of gape research that occurred from several previous studies. Wonar research, et.,al (2018) found that human resource competence has a good impact in improving the effectiveness of fraud prevention, but in contrast to research from Tantriana (2012) which found that human resource competence is not an important factor in the prevention of Fraud. Then research from Muda, et.,al (2017) which found that the competence of human resources has a significant impact in determining the quality of financial statements, which is different from the findings of Suliyantini &Kusmuriyanto (2017) human resource competency has an insignificant effect on the quality of financial statements.

Based on the problems and various theories, the researchers are interested in reviewing and conducting

research with the title "Influence of Human Resource Competency and Fraud Prevention on the Quality of Financial Statements of gorontalo provincial government and regency/city of Gorontalo province". The objectives in this study are To know and analyze (1) the influence of human resource competence on fraud prevention, (2) the influence of human resource competence on the quality of financial statements, (3) the influence of fraud prevention on the quality of financial statements, (4) the influence of human resource competence on the quality of financial statements through fraud prevention

II. RESEARCH METHODOLOGY

The approach in this study is quantitative with expost facto method. The data in this study is primary data through questionnaires. The population of this study is all employees who come from OPD producing PAD in gorontalo provincial government and district / city in Gorontalo province. The population of 27,610 people, then by purposive sampling method obtained a sample of 228 employees. Data analysis used is descriptive analysis and inferential analysis (SEM PLS).

III. RESEARCH RESULTS

A. Hypothesis Test Results

Based on the data that has been done, the results can be used to answer hypotheses in this study. For more details, see the following table:

Table 4.16: Hypothesis Test Results

Type Influence	Influence	t Statistic	P-Value
Direct	X->Z	0.889	0.374 ^{ns}
	X->Y	2.467	0.014**
	Z->Y	5.324	0.000***
Indirect	X->Z->Y	0.867	0.386 ^{ns}

^{ns} not significant
 *. Significant at the 0.1 level (2-tailed).
 **. Significant at the 0.05 level (2-tailed).
 ***. Significant at the 0.01 level (2-tailed).

Source: Processed PLS, 2021

Based on the table above, it can be interpreted the results of hypothetical tests interpreted by classifying the influence of variables:

1. Direct Influence
a. Influence of Human Resources Competency on Fraud Prevention

T-statistic value influence of human resource competence on fraud prevention obtained results of 0.889 with probability value (P-value) 0.374. When compared, the value of thitung is 0.889 smaller than the value of 1,971 (0.889 < 1,971). from the probability value of 0.05 (0.374>0.05), the competence of human resources has a positive but insignificant effect on the Prevention of Fraud in the Regional Device Organization of the Gorontalo Provincial Government and Districts / Cities in Gorontalo Province. Insignificant results mean that there is a less

powerful influence of human resource competence on the prevention of Fraud in the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo province so that there needs to be capacity development of employees from competency aspects balanced with a good commitment.

b. Influence of human resource competency on the quality of government financial statements

T-statistic value influence of human resource competence on fraud prevention obtained results of 2,467 with a probability value (P-value) of 0.004. When compared, t-count value of 2,467 is greater than t-table value of 1,971 ($2,467 > 1,971$). The P-value is smaller than the probability value of 0.05 ($0.004 < 0.05$), so the competence of human resources has a positive and significant effect on the quality of government financial statements in the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo Province. Significant influence shows that human resources or employees who have good competence are able to manifestly in creating financial reports on the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo province that are qualified.

c. Effect of Fraud Prevention on the quality of government financial statements

T-statistic value influence of Fraud prevention on Fraud prevention obtained a result of 5,324 with a probability value (P-value) of 0.000. When compared, t-count value of 5,324 is greater than t-table value of 1,971 ($5,324 > 1,971$). The P-value is smaller than the probability value of 0.05 ($0.000 < 0.05$), so fraud prevention has a positive and significant effect on the quality of government financial statements in the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo Province. Significant results show that the action of reducing Fraud by the Regional Device Organization of the Gorontalo Provincial Government and Districts / Cities in Gorontalo Province will make the financial statements better.

2. Indirect Influence (Influence of Human Resource Competency through Fraud Prevention on The Quality of government financial statements)

T-statistic value influences indirect influence of human resource competency variable of 0.867 with probability value (P-value) of 0.386. When compared, the t-count value of 0.867 is smaller than the t-table value of 1,971 ($0.867 < 1,971$). 05 ($0.386 > 0.05$), has been rejected which means that the competence of human resources through fraud prevention has a positive but insignificant effect on the quality of government financial statements in the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo province. This shows that fraud prevention has not been able to be intervening from human resources competency to quality financial reports in the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo province.

IV. DISCUSSION

A. Effect of Human Resources Competency on Fraud Prevention

Hypothetical test results found that human resource competence has a positive but insignificant effect on Fraud Prevention in the Regional Device Organization of gorontalo provincial government and district / city in Gorontalo province with a coefficient of 5.70%. The positive influence shows that the more competent human resources in the government will make the employee able to reduce various acts of fraud in the Regional Device Organization of the Gorontalo Provincial Government and District / City in Gorontalo Province. While the results are insignificant because employees with high competence are often not accompanied by organizational commitments, good emotional intelligence and sometimes unable to stem conflicts of interest from the leadership of the Regional Device Organization.

This is as stated by the head of the Regional Staffing Agency and the Head of Gorontalo Provincial Finance Agency that so far human resource development has only been fixated on the development of knowledge and skills and lacks attention to employee commitment and employee integrity in carrying out their duties and responsibilities. Commitment and integrity are uncompromising adherence to the code of moral values, and avoid any deception, benefit, falsehood, or shallowness. The importance of integrity stems from the idea that professions are "vocations" and require professionals to focus on the idea that they are doing public service. Integrity maintains high standards of achievement and performs competencies which means having intelligence, education, and training to be able to add value through performance. This is strengthened by the statement from Sutrisno (2015) that a competent government employee must have knowledge, skills, and attitude (commitment) in accordance with his/her duties. In this case the regional apparatus must have adequate knowledge, quality, and understanding of regional finances, then commitment and integrity are other factors that are crucial to the impact on improving the effectiveness of financial management in a region.

This result is in line with and agreed with the statement expressed by Hevesi that accounting controls will also greatly help accelerate the presentation of government financial statements so that the financial statements become timely. Competence is a character of a person who has the skills (skills), knowledge (knowledge), and ability (ability) to carry out a job. Every job will become easier when the existing employees have good skills. Predictions of who is performing well and underperforming can be measured by the criteria or standards used. This discrepancy in competence is what distinguishes a superior actor from a performer of limited achievement (Hevesi, 2005)

This result is in line with the statement from Tantriana (2012) where the results of tantriana research suggest that the competence of human resources has no significant effect on the quality of financial statements caused by the low

quality of human resources in terms of attitude and commitment in carrying out the work so that this will lead to fraud in governance that is not in accordance with the established signs. This is in contrast to the findings of Wonar, et.,al (2018) found that human resource competence has a good impact in improving the effectiveness of fraud prevention. Competence is basically able to contribute to the government in improving the vision and mission of the government in administrative governance, services and financial management so that the higher the government's attention to this problem will lead to increased progress in the prevention of fraud.

B. Influence of Human Resource Competency on The Quality of government financial statements

Hypothetical test results found that the competence of human resources positively and significantly affects the quality of government financial statements in the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo province with a coefficient of 11.30%. The positive influence shows that the higher the competence of human resources, it will create quality financial reporting in the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo province

This result is in line with the statement from Moeherion (2014) that competence as the underlying characteristic of a person relates to the effectiveness of an individual's performance in his work or the basic characteristics of an individual who has a causal or causal relationship with the criteria referred to, effective or performing prime or superior at work or in certain situations. According to some experts, competence is the underlying characteristic of a person achieving high performance in his or her work. Employees who do not have enough knowledge will work stuttering and also result in waste of materials, time, and energy. The meaning of competence contains a deep personality part and attaches to a person with predictable behaviors in various circumstances and job tasks to carry out work such as conducting more qualified financial statements.

The same is also expressed by Shopian (2016) mentions that qualified human resources are resources that are able to create not only comparative value, but also competitive valuesgenerative-innovative by using the highest energy such as intelligence, creativity, and imagination. In addition to qualified human resources. Muda, et.,al (2017) who found that the competence of human resources has a significant impact in determining the quality of financial statements, which is different from the findings of Suliyantini &Kusmuriyanto (2017) human resource competency has an insignificant effect on the quality of financial statements.

C. Effect of Fraud Prevention on The Quality of government financial statements

Hypothetical test results found that fraud prevention has a positive and significant effect on the quality of government financial statements in the Regional Device

Organization of gorontalo provincial government and districts / cities in Gorontalo province with a coefficient of 37.40%. The positive influence shows that the more effective fraud prevention measures in the financial management process will create quality government financial reports at the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo province.

This result is in line with wilopo's statement (2006) that management's unethical behavior and tendency to accounting fraud can be lowered by increasing the effectiveness of internal control, adherence to accounting rules, management morality, as well as eliminating information asymmetry. But the study found that contrary to hypotheses and theories and results of previous research, that appropriate compensation provided by the company did not decrease unethical behavior and tendencies of accounting fraud. This is because the compensation provided by the company is not in accordance with the wishes of the management of the company, and the results obtained from unethical behavior and accounting fraud outweigh the compensation received. Similarly, currently in Indonesia there is no national compensation system that becomes a reference for companies, and the government to regulate rights and obligations, measures of achievements and failures, as well as rewards and penalties in managing the organization.

Manik &Kusasi (2019) explained that if the local government agencies are not maximally compiling financial statements, then the government accounting information system is not carried out properly, especially when recording transactions using angaran and the preparation of regional financial statements that will have an impact on the tethering of financial statements, so that this can lead to less than the maximum information presented in the financial statements and will reduce the quality of financial statements. Some things to note in preparing quality local government financial statements, among others; competence of human resources, application of government accounting standards, utilization of information technology and internal control systems. In addition to improving the quality of financial statements, it can also prevent (*fraud*).

D. Influence of Human Resources Competency Through Fraud Prevention on The Quality of government financial statements

Hypothetical test results found that the competence of human resources through fraud prevention has a positive but insignificant effect on the quality of government financial statements in the Regional Device Organization of gorontalo and districts / cities in Gorontalo province with a coefficient of 2.10% of the line. The results of a positive and significant influence show that the prevention of Fraud carried out on the basis of the level of competence of human resources will have a good effect in improving the quality of financial reports in the Regional Device Organization of the Gorontalo Provincial Government and Districts / Cities in Gorontalo Province. While insignificant results show that Fraud prevention measures can be better with the

competence of good human resources but can also be less good when human resources have competencies that are not accompanied by concrete steps to imply fraud prevention measures in order to produce quality financial reports.

This result is in line with statements from Suliyantini and Kusmuriyanto (2017) that human resource competence has an insignificant effect on the quality of financial statements. Human resource competency and SAP implementation have a significant positive effect on the implementation of internal control system internal control system can be a mediation variable for indirect influence of human resource competency and SAP on the quality of financial statements.

V. INFERENCE

Based on the results of the research and discussion in the previous chapter, it can be drawn some conclusions of research as follows:

1. Competence of human resources has a positive but insignificant effect on fraud prevention in the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo province. Insignificant results because employees with high competence are often not accompanied by organizational commitment, integrity in work, good emotional intelligence and sometimes a work attitude that is not able to stem conflicts of interest from the leadership of the Regional Device Organization.
2. Human resource competence has a positive and significant effect on the quality of government financial statements in the Regional Device Organization of gorontalo and regency/city governments in Gorontalo province. The positive influence shows that the higher the competence of human resources, it will create quality financial reporting.
3. Fraud Prevention has a positive and significant effect on the quality of government financial statements in the Regional Device Organization of gorontalo provincial government and districts / cities in Gorontalo province. Positive influence shows that the more effective fraud prevention measures in the financial management process, the more qualified government financial statements are.
4. Competence of human resources through the prevention of Fraud has a positive but insignificant effect on the quality of government financial statements in the Regional Device Organization of the Gorontalo Provincial Government and Districts / Cities in Gorontalo Province. Insignificant results show that Fraud prevention measures can be better with the competence of good human resources but can also be less good when human resources have competencies that are not accompanied by concrete steps to imply fraud prevention measures in order to produce quality financial reports.

VI. ADVICE

Based on the results of the research and the conclusion of the research, the research advice is as follows:

1. The importance of the government to improve the competence of employees not only focuses on knowledge and skills in work but also needs to increase commitment in the organization, increase emotional intelligence and integrity of work because aspects of competence do not appear to be the determinant for employees of the Gorontalo Provincial Government and District / City in Gorontalo Province to take a positive or negative action in financial management. Consistency and capacity building of human resources and public sector organizations will have a good impact in efforts to improve better quality financial statements with the prevention of irregularities through Fraud
2. Fraud prevention activities should be carried out by the Gorontalo Provincial Government and Districts / Cities in Gorontalo Province by referring to the prevention models carried out by a company by adopting new public management concepts (innovation in government).
3. Improving the quality of financial statements need to be published by the Provincial Government of Gorontalo and Districts / Cities in Gorontalo Province where users and the public desperately need these financial statements so there must be a link to the accessibility of financial and government financial statements because so far only Gorontalo Regency has published them.

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