

CHAPTER I

INTRODUCTION

1.1 Background

Good governance is characterized by at least three elements: participation, transparency, and accountability. Freedom of information underlies the basis of transparency. The involvement of the community in decision-making in both direct and indirect processes of participatory institutions that can channel their aspirations (Trihapsoro, 2015). Accountability, on the other hand, involves accountability to the public about all that that entails. Good governance, however, calls for a different government paradigm from the old centralized system where the central government is massively strong in determining policies. The new paradigm requires a system that can remove dependence and hence independence of local governments on central government and further enhance the independence of regions to compete regionally, nationally, and internationally. Against this new paradigm, the government gives as wide, as much inclusive or proportionate as the governance of equitable national resources and distribution and utilization of same in accordance with financial balance between the center and the regions. Thus, local governments are required to be able to provide financial information to the public, DPRD, and parties who are stakeholders of local governments (Hamruna et al., 2022).

Accounting information systems serve as the backbone of financial reporting processes. These systems are designed to facilitate the accurate collection, processing, and reporting of financial data, providing local governments with the tools necessary to produce timely and reliable financial information (Romney and Steinbart, 2004). Effective AIS implementation not only enhances the quality of financial reports but also supports compliance with regulatory frameworks, such as the Government Accounting Standards (SAP) established in Indonesia. However, the effectiveness of these systems is contingent upon the technological infrastructure in place and the competence of the human resources managing these systems.

The implications for the management of a government agency in the scope of regional financial reports and provision of information to the public arise from the developments in maintaining accountability for the current and future financial reports. Financial statements are a communication device by means of which key financial information about a government is communicated to parties outside the government. Generally, financial statements can be understood as an implementation of the accounting process to help enter and leave financial data and/or activities of the government. It serves as the conduit for communication between the government's financial data and operations and the stakeholders interested in them (Karim & Lukum, 2024). The realization of financial management accountability to the public requires regional financial reports, an in-depth part. These demands for accountability on the use of the budget in the field of APBN and APBD are responded to by the government to issue three packages of laws in the field of state financial

management which regulate (i) plenaries, (ii) secondary plenaries, and (iii) the accountability for the management of the budgets both APBN and APBD.

Management is responsible for current financial reporting quality. Information technology is vital. Information technology transmits information as well as processes and stores data in computers. Obstacles to the application of information technology include the condition of the hardware, software used, data updates, the condition of existing human resources, and limited funds. This impediment may hinder the efficient use of information technology in government agencies, thereby impacting the dependability of regional financial report presentations.

Human resources experts with an understanding of governmental accounting, regional finance, and related governmental organizations are needed to provide quality regional financial reports. It needs in preparation of quality regional finance reports, so they're going to become truthful in putting in good regional finance reports and they have their respective responsibilities. Only so that it can fulfil the goals and objectives of the organization with predetermined standards of performance with the result competency-based human resource development. (Anjani & Hapsari, 2024). If human resources in understanding and applying accounting knowledge experience failure, then there will be errors in financial reports like there were when a predetermined standard was used (Yuniar et al., 2023).

On the other hand, the inadequate proficiency of human resources often impedes the proper utilization of regional financial data. Although indeed the law has explained, the financial reporting process is still relatively low. The limited number of human resources who are competent in managing finances is an obstacle. Managing these finances is very much an obstacle in carrying out an efficient task. The restricted proficiency of human resources significantly impacts the seamless and effective execution of regional financial reporting. The efficiency of executing regional financial reports is crucial. Insufficient understanding of the advantages and requirements of the accounting system might impede progress in enhancing the quality of financial statements. Obstacles are being addressed to enhance the quality of financial statements. Consequently, it is essential for human resources engaged in the administration of local regional finances to enhance their awareness and comprehension of the significance of an effective accounting system. Training and education related to the complexity of local financial management, and the benefits of an integrated accounting system can make a positive contribution in overcoming the obstacles to a good accounting system can make a positive contribution in overcoming this obstacle. this constraint.

Research on significant factors influencing the quality of regional financial reports has shown varied results. According to prior study by Edward (2017) titled “The Effect of Human Resource Competence, Information Technology and Accountability on the Quality of Regional Financial Reports with the Internal Control System as Moderation (Study on the Regional Government of Gowa Regency)” human resource competency, technology use, and

accountability improve regional financial reporting, but the internal control system does not. In contrast, Mamahit et al. (2017) with the title “The Effect of Human Resource Capacity, Utilization of Information Technology and Implementation of Regional Financial Accounting Systems on the Quality of Regional Financial Reports (At SKPD South Minahasa Regency)” indicates that human resource capability, technology information, and financial accounting systems positively influence the quality of regional financial reports.

This research centres on Central Sulawesi Province due to its ongoing substantial development, marked by numerous infrastructure and economic projects. In such a dynamic environment, sound and transparent financial management is critical for successful program execution and for drawing further investment. Evaluating the quality of the province's financial reports offers a current perspective on its governance capabilities. Moreover, Central Sulawesi, like other regions, is under increasing pressure from its populace and oversight bodies to demonstrate greater accountability in public fund utilization. Investigating the elements that improve the quality of Local Government Financial Reports (LKPD) within this specific provincial context can directly foster public trust and enhance governance. Despite favourable audit outcomes, Central Sulawesi continues to face persistent issues and inconsistencies in its financial reporting. The Financial Audit Agency (BPK) has identified instances of "inappropriate data" and "irregularities" during audits, indicating that the regional financial reports do not yet fully adhere to established standards (Sukran et al., 2020). Furthermore, as noted by Nanda et al. (2024), a regional government's failure to comply with BPK recommendations adversely affects financial management accountability

and transparency. Consequently, this study seeks to investigate the practical circumstances by analysing how Accounting Information Systems, Information Technology, and Human Resource Competency collectively influence the quality of regional financial reports in Central Sulawesi, a province where strong financial governance is indispensable for sustained progress.

This study employs Attribution Theory to explore how stakeholders perceive the quality of regional financial reports based on the effectiveness of Accounting Information Systems (AIS), Information Technology (IT), and Human Resource Competencies (HR). Attribution Theory posits that individuals seek to understand the causes of events and behaviors, which in this context relates to how stakeholders attribute the quality of financial reports to the systems and competencies in place. The insights derived from this research can offer direct, practical recommendations to the Central Sulawesi Provincial Government, particularly its Financial and Asset Management Agency (BPKAD), on how to strategically invest in AIS, IT, and HR development to elevate their financial reporting standards. This localized focus ensures the relevance and applicability of the findings and contributes to the limited regional public sector literature.

In this writing, it is different from several previous studies; this research is more directed at accounting information systems, information technology, and human resource competencies on the quality of regional reports with the intended province, namely Central Sulawesi Province. This study was done to ascertain the impact of accounting information systems, information technology, and human resource competency on the quality of regional

reports for the specified province, namely Central Sulawesi Province. So that the researchers took the title, namely:

“Analysis of the Influence of Accounting Information Systems, Information Technology, and Human Resource Competence on the Quality of Regional Financial Reports in Central Sulawesi Province”

1.2 Research Question

This research will focus on the following research questions:

1. How does Accounting Information Systems (AIS) influence the quality of regional financial reports in Central Sulawesi Province?
2. What effects does the utilization of information technology have on the quality of financial reporting in Central Sulawesi Province?
3. Is there a major impact of human resource competency on the quality of regional financial reports in Central Sulawesi Province?

1.3 Research Objective

This study is designed to provide empirical insights regarding how Accounting Information Systems (AIS), Information Technology (IT), the competency of human resources also affects the quality of regional financial reports in Central Sulawesi Province. This research focuses specifically on two areas: (i) how AIS affects the quality of financial reporting, (ii) whether and how IT helps improve financial data timeliness and accuracy in

local governments, and (iii) the importance of human resource skills on quality of financial reports in local governments in Central Sulawesi. Throughout this study, the study hopes to contribute to how effective financial management and transparency are at the regional level.

1.4 Research Contribution

If the research objectives are successfully achieved, this study will contribute to improving the quality of local financial reports in Central Sulawesi Province, promoting greater transparency and accountability in public financial management. The insights gained will provide valuable guidance for local governments to enhance their Accounting Information Systems (AIS) and Information Technology (IT) infrastructure, making the financial reporting process more efficient. In addition, this research will emphasize the importance of human resource competencies, advocating targeted training programs to empower staff with essential skills. Overall, this comprehensive approach aims to improve decision-making and build public trust, which will significantly benefit the effectiveness of financial management at the local level.