



DETERMINANT ANALYSIS OF THE QUALITY OF LOCAL GOVERNMENT FINANCIAL STATEMENTS IN NORTH SUMATRA WITH THE EFFECTIVENESS OF MANAGEMENT OF REGIONAL PROPERTY AS A MEDIATOR

Eriadi

Doctoral Programe School of Economic and Business, Universitas Sumatera Utara, Indonesia

Erlina and Iskandar Muda

Faculty of Economics and Business, Universitas Sumatera Utara, Medan, Indonesia

Syukriy Abdullah

Faculty of Economics and Business, Universitas Syiah Kuala, Banda Aceh, Indonesia

ABSTRACT

This study aims to examine and analyze the factors that affect the quality of local government financial statements by using the effectiveness of the management of local property as a mediator. Previous research studies have found that motivated behavior, proof of ownership, regular assessment, as independent variables affect the accountability of financial performance and the quality of financial statements. The results of this study indicate that the evidence of ownership and valuation of fixed assets have a positive effect on the quality of local government financial statements but the behavior motivated users of goods have no positive effect. If the effectiveness of BMD management is used as a mediator, the results show that all independent variables have a positive effect on mediation and mediation simultaneously have a positive effect on the quality of local government financial statements.

Keywords: Quality Local Government financial reports, Effectiveness of Regional Property Management, Proof of Ownership, Fixed Assets, regular valuation.

Cite this Article: Eriadi, Erlina, Iskandar Muda and Syukriy Abdullah, Determinant Analysis of the Quality of Local Government Financial Statements in North Sumatra with the Effectiveness of Management of Regional Property as a Mediator, International Journal of Civil Engineering and Technology, 9(5), 2018, pp. 1334–1346.

<http://www.iaeme.com/IJCIET/issues.asp?JType=IJCIET&VType=9&IType=5>

1. INTRODUCTION

Local government financial reporting as a form of accountability for state financial management becomes an important part of the accountability process. Since the enactment of financial reporting obligations as a form of state financial accountability in 2005, the quality of financial statements of local governments in North Sumatra is still lower than other regional governments. This research is moving from Audit Agency Audit Result Data from 2012-2016 which stated that the growth of Unqualified Opinion (WTP) opinion achievement in local government of North Sumatra is below the national average growth and only grows maximum 12% during the period of three years (2011-2013) and the largest decrease of opinion quality in 2015 was only 18% although in 2014 it was able to reach 48% of the WTP. And when compared with five regions in North Sumatra, North Sumatra was ranked last with achievement achievement of only 18%. The biggest cause of financial report quality is the poor quality of information on fixed assets. The completeness and quality of financial information presentation encourages the fulfillment of the quality of financial statements. Quality of information has an important influence on financial performance (Bukenya, 2014). If the presentation of information on regional property is adequate then this information is considered qualified (Hariningsih, 2006; Muda *et al.*, 2015; Lubis *et al.*, 2016 & Muda & Naibaho, 2018). Quality information can produce qualified Financial Statements (Wilkinson *et al.*, 2008) The desire to achieve Unqualified opinions as a role goal is indispensable, Osabiya (2015). Kieso, Waygandt and Warfield (2007), argued that the lack of information intact presented in the financial statements would disrupt the quality of financial statements, especially relevant and reliable aspects. The adequacy of relevant and reliable aspects is an important requirement as a decision maker (Obaidat, 2007). Robbin and Kenneth (1986) mentioned that 3 (three) of the 27 aspects need to be fully disclosed as the basis for decision making in the Financial Statements namely, the full explanation of fixed assets, maintenance costs and fixed asset replacement, and complete asset overview. The need for reliable accounting information (reliability) becomes very important in making economic decisions.

2. LITERATURE REVIEW

2.1. The Problem of Institutional Theory in State Financial Accountability

Gibbon (2012), the basis of the principal-agent relationship is very simple, ie explaining the related incentive management. Agency Theory analyzes the contractual arrangements between two or more individuals, groups, or organizations. Delegation occurs when a person or a group of people chooses another person or group to act in the interests of the principal Lupia & McCubbins (2000). The principal-agent relationship occurs when one's actions have an impact on others or when one is heavily dependent on the actions of others (Stiglitz, 1987 and Pratt & Zeckhauser, 1985 in Gilardi, 2001). This influence or dependence is manifested in agreements in institutional structures at various levels, such as behavioral norms and contract concepts. Agency theory focuses on the problem of information asymmetry: agents have more information about actual performance, motivation, and real goals, potentially creating moral hazard and adverse selection. Principals themselves must spend to monitor agent performance and determine efficient incentive and monitoring structures (Petrie, 2002). The presence of information asymmetry among the legislative and legislative-electoralates leads to open space for opportunistic behavior in the budgeting process, which is greater than in the business world that has automatic checks in the form of competition (Kasper *et al.*, 2001; Dalimunthe *et al.*, 2016 & Erlina *et al.*, 2017). In the public sector, the principal-agent theory should be viewed in broader terms (Petrie, 2002) covering legislative and people relations, the Regional House of Representatives (DPRD) and the Government, the Head of Region and the

Coordinating Ministry, the President with the Ministry, or the contractual relationship between Superiors with the level of leadership under it. Atilla (2014), states that contractual relations produce an adverse selection and moral hazard that begins the asymmetry of information between the parties. This symmetry information causes a negative rejection of the principal because the agent will not be interested in maximizing the welfare of the principal but himself.

2.2. Local Government Financial Reporting

Local Government Financial Report from 2005 to 2014 applies the cash base arrangement pattern. This is as a mandate of Government Regulation number 24 of 2005. With the demands of the development of government financial management structure and the purpose of financial statements in making better decisions, the Government through Government Regulation (PP) No. 71 of 2010 to apply financial reporting accrual basis. Khan (2009) also explained that there are 7 (seven) transition steps from base cash to accrual basis such as the need for capacity building of human resources through training, management commitment to continuously improve and information technology used. Bukenya (2014); Munnoz *et al.*, (2013), Nkabu (2010); Nurzaimah *et al.*, (2016); Sadalia *et al.*, (2017); Muda *et al.*, (2017); Lubis *et al.*, (2017); Yahya *et al.*, (2017) and Okeree *et al.*, (2017) explain the many benefits of financial statements in realizing accountability. According to the Minister of Home Affairs Regulation No. 13 of 2006 that "Regional financial reports are prepared to provide relevant information on financial position and all transactions conducted by the local government during one reporting period". Accounting information contained in the local government financial statements should be useful in terms of supporting decision making and can be understood by the user (Zhang, 2014). In order to provide useful information to interested parties, the information presented in financial reporting must meet the qualitative characteristics so that it can be used in decision making (Mc Griff, 2014 and Hapsari 2007).

2.3. Management of Regional Properties

In general, the management of Regional Property is part of the scope of the company's or government's operations and is included in management science. The definition of the management of regional property (the term in the public sector) or asset management (private sector) includes not only the maintenance of physical assets, but includes the stages since the property of the region/fixed assets is planned, used/taken, released and deleted. Therefore, of course, the management of good regional property will reflect good regional financial management and the management of regional property must be done properly and correctly (Oktavia *et al.*, 2010 & Muda *et al.*, 2017). Several research results that raise the urgency of Asset Management in public sector proposed by Poae (2017) that the planning of BMD have negative effect and not statistically significant to the quality of Local Government financial statement while the evaluation, supervision, and control of BMD have positive effect and significant to the quality of local government financial statements. Quality of human resources, Knowledge of asset management, system of administration of BMD and commitment of leadership affect the quality of Local Government Financial Report and acceleration of switching BMD during division (Rudianto, 2013 & Muda & Hutapea, 2018). Internal Control and Administration of State Property (BMN) is the cause of BMN reporting gap and influences the quality of Central Government Financial Report (Cahyaningrum, 2015)

2.4. Motivated Users Behavior

The relationship between motivation, finance report and manager behavior can not be separated from the theory of behavioral accounting in relation to know the role and

motivation of managers in strengthening the system of financial accountability within responsible organization. Behavioral accounting aims humans behavior towards the design, construction and use of accounting systems applied in the company, which means how the attitude and leadership style of management affect the control of accounting (Muda *et al.*, 2017; Azlina *et al.* 2017 & Nasir *et al.*, 2017). Preceding the discussion of motivated behavior, preliminary discussion regarding motivation should be firstly conducted. Robinson and Judge (2008), define motivation as a set of psychological processes that lead to the passion, direction, and persistence of individual behavior toward the achievement of a goal. According to them, motivation has three pillars namely passion, direction, and persistence. Bruce and Pepitone in Karic (2014) claim that motivation is an inner work and is seen as the most important kind of motivation.

In a more relevant discussion of the concept of motivation with a more measurable aspect put forward by Kreitner and Kinichi, (2001) that motivation is a psychological process that causes passion, direction and persistence of voluntary actions aimed at the goal. Motivated behavior in general, and this is reflected in motivated behavior, will form behavioral tendencies that focus on aspects of focus, intensity, quality and duration of roles. In Local Government, related aspects of the role and motivation of Head of SKPD as User of Properties is inseparable in the scope of duties and responsibilities concerned according to the stipulated in the rules. Based on the Regulation of the Minister of Home Affairs Number 19 of 2016 as a substitute of Regulation of Minister of Home Affairs Number 17 of 2007, the Head of SKPD as the User of Regional Property has 9 (nine) duties and functions. Proof of ownership. The management of BMD covers the process of securing the property of the region which must be done by the local government. Security of Regional Property is any effort made by the local government to ensure legal recognition of BMD physical, legal and administrative property. Based on Permendagri No.19 of 2016, stated that BMD security can be done through three ways: physical security of BMD, legal safeguards and administrative safeguards. In the context of financial statements, local governments strengthen ownership status through management statements. Further, Statement of Government Accounting Standard (PSAP) 07 Paragraph 19 stipulates that the recognition of fixed assets will be very reliable if the assets have been received or transferred their ownership rights and/or when their tenure is transferred. Land ownership rights are based on legitimate land ownership certificates such as Certificate of Property (SHM), Certificate of Use Rights (SHP), Building Rights Certificate (SHGB), and Right of Management Certificate (SPL).

2.5. Regular Assessment of Fixed Assets

Regular assessments of utilization and alienation events are more focused in order to establish fair value for the realization of disposal and not to cause harm to local governments. Several research results have been conducted, among others, by Boody *et al.*, (2009) that the revaluation of fixed assets gives a significant influence on the performance of the company's operations. Furthermore, the strengthening of the same thing proposed by Anshari *et al.*, (2012) & Erwin *et al.*, (2018) that the assessment of regional property has a positive and significant effect on the quality of financial statements followed by Rudianto (2013) which explains that the main obstacle in the process of presenting the financial statements for districts/lack of sufficient proof of BMD ownership as a basis for recognizing the rights of local government assets. Therefore, through the assessment of regional properties, it is expected to present a balance sheet that meets the fair value of fixed assets in accordance with the current conditions. Assessment is often done as a way to cope with low cash flow, debt growth and liquidity disruption, Barac *et al.*, (2011). In line with those results, Seng *et al.*

(2010) describes the results of his research that large firms are more likely to reassess corporate assets for the purpose of reducing political costs.

2.6. Influence of behavior motivated users of property, Proof of ownership of fixed assets and regular valuation of fixed assets to the Quality of Financial Statements

Kreitner, (2001), asserts that motivated behavior can occur in the form of an effort to focus the role and authority in achieving organizational goals, allowing sufficient time to perform tasks, increasing monitoring frequency. Rudianto (2013) asserts that the commitment of the OPD and the Head of Region and the sense of responsibility and caring gave a positive influence on the quality of the local government financial statements. The tasks, powers and authority of financial management of managers and the Audit Board encourage and positively affect the timeliness of completion of financial statements, Lehtinen (2012). Auditing boards and managers are some who can encourage subordinates to do more timely financial reporting work using all the power and authority they have. The existence of funding support in the effectiveness of the application of financial regulation becomes the authority of the state leadership (Nkabu, 2010). In line with the support and role of managers, Nogueira *et al.* (2015) suggests the importance of official knowledge to maximize the utilization of financial reporting. The hypothesis of this study will examine the influence of motivated behaviors, proof of ownership and valuation of fixed assets to the quality of Local Government Financial Statements namely:

H1a: Motivated behavior affects the quality of Local Government Financial Statements

H1b: Proof of ownership affects the quality of Local Government Financial Statements

H1c: Assessment of fixed assets affects the quality of Local Government Financial Statements.

2.7. Influence of Behavior motivated users of goods, Proof of ownership of fixed assets and regular valuation of fixed assets toward the Effectiveness of BMD Management

The role of motivation in the form of intensity, perseverance and punctuation in giving direction to subordinates encourage the achievement of company goals, Karic, (2014). The existence of different perceptions of purpose and leadership pattern will influence the level of motivation in public service (Kachornkittiya *et al.*,2012). The motivation itself is strongly influenced by work effort, performance and work result Queen *et al.*, (2014) and Saptogiri (2012) suggests the results of his research that motivated behavior Leaders of DPRD and Head of Regional positive effect on follow-up examination results. The encouragement of attitudes and actions of managers in an organization and/or Head of SKPD in the public sector, is believed to give effect to improvements in the implementation of management of Regional Property. The PSA No. 7 relating to a third fieldwork standard states that sufficient adequate evidence of the audit must be obtained through inspection, observation, inquiry and confirmation as a basis for adequately expressing an opinion on the audited financial statements. Fixed Asset in the form of Land and/or building is a fixed asset that has problems in fulfilling the assertion of Local Government Financial Report (Tarmizi *et al.*, 2017). Technical Bulletin No 15 (2014). Further, PSAP 07 Paragraf 19 provides that the recognition of fixed assets will be highly reliable if the property, plant and equipment have been received or transferred their ownership rights and/or when their tenure is transferred.

In the public sector, Poae (2015) explains that partially, the assessment has a positive and significant effect on the financial statements. Assessment can overcome the existence of value uncertainty as a result of the process of regional autonomy. Reassessment will give a more

accurate picture of the financial position of a local government. Assessment may provide protection against the value to be used as a basis for exchange or transfer of property and equipment owned by the Regional Government. Furthermore, Anshari *et al.*, (2014) confirms the same thing that the BMD assessment variable significantly influences the quality of financial statements. Assessment helps the achievement of the objectives of management of Regional Property in fulfilling the principle of assurance of value. The hypothesis of this study will examine the influence of motivated behavior, proof of ownership and valuation of fixed assets to the effectiveness of BMD management, namely:

H2a: Motivated behavior affects the effectiveness of BMD management

H2b: Proof of ownership affects the effectiveness of BMD management

H2c: Assessment of fixed assets affects the effectiveness of BMD management

2.8. Effect of the Effectiveness of Regional Property Management as a mediator to the Quality of Financial Statements.

Compliance with the principle of management of regional property becomes part of the fulfillment of qualitative aspects of public sector financial management. The principle of accountability for the management of regional property requires that every process of ownership and the acquisition of fixed assets be accountable in accordance with the prevailing rules. The results of the administrative report in the form of Inventory Card of goods shall be the basis of reporting of fixed assets in the balance of the Regional Government Work Unit, Permendagri Number 19 of 2016. The hypothesis to be performed to examine the relationship between independent and dependent variables and mediator is:

H3: The Effectiveness of Regional Property Management Affects the Quality of Local Government Financial Statements.

3. METHODS

3.1. Sample and Data

Sampling was done using Stratified random sampling. Stratified was done based on the position of Head of SKPD as Users of Goods, Finance Administration Officials (PPK) SKPD and PPK as accounting authority, and Assistant Manager of Regional Property represented by Head and Kasubid Asset as coordinator of asset management and the management of properties and auditor at Inspectorate on 13 Local Governments covering Provincial, District and City Governments. The total respondents in this research were 283 people representing the function of technical functions in the preparation of financial statements.

3.2. The definition of Operational Variables

Variables used in this study include variable Quality of Local Government Financial Report (KLK) as dependent variable (Y), motivated behavior (PT) (X_1), proof of ownership (BK/ X_2) and assessment of fixed assets (PAT) (X_3) as independent variable and effectiveness of management of Regional Property (EPB) (X_4) as mediating variable.

3.3. Hypothesis testing and model analysis

The model uses Analysis Of Moment Structures as general approach of data analysis in Structural Equation model (SEM). Based on the data processing of full structural model is known influence between variables as follows:

Table 1 Influence among latent variables

No	Influence among latent variables	SR Weights
1	The Influence of Motivated Users Behavior (X1) on the Effectiveness of BMD Management (Y1)	,276
2	The Influence of BMD Ownership Proof (X2) on Effectiveness of Property Management (Y1)	,273
3	The Influence of Regular Rating (X3) on the Effectiveness of Property Management (Y1)	,337
4	The Influence of Management Effectiveness of BMD (Y1) on Quality of LKPD (Y3)	,749
5	The Influence of Behavior Motivated of User of Properties (X1) on Quality of LKPD (Y3)	-,139
6	The Influence of Ownership Proof of BMD (X2) on Quality of LKPD (Y3)	-,067
7	The Influence of Regular Assessment of BMD (X3) on the Quality of LKPD (Y3)	-,133

Source: Processed data (2018).

4. RESULTS AND DISCUSSION

4.1. Result

After measuring the influence among latent variables on the Structural Model Equation (SEM), then the next step is to do analysis of research model, this analysis is related to the test of research hypotheses. The research hypothesis is accepted if the Probability (P) value is less than 0.05 with the coefficient mark according to the proposed research hypothesis (Nurlina & Muda, 2017; Muda, 2017; Sihombing *et al.*, 2017; Sirojuzilam *et al.*, 2017 & Pohan *et al.*, 2018). The result of SEM analysis shows:

Table 2 Test Results of Significance of Structural Equation Model

Hypothesis	Influence among latent variables	Prob	Result
1a	Motivated Behavior (X1) on Quality of LKPD (Y3)	,370	Ho Accepted
1b	Proof of Ownership of BMD (X2) on Quality of LKPD (Y3)	,049	Ho denied
1c	Regular Assessment of BMD (X3) on Quality of LKPD (Y3)	,041	Ho denied
2a	Motivated Behavior (X1) on BMD Management Effectiveness (Y1)	***	Ho denied
2b	Proof of Ownership of BMD (X2) on BMD Management Effectiveness (Y1)	,001	Ho denied
2c	Regular Assessment of BMD (X3) on BMD Management Effectiveness (Y1)	***	Ho denied
3	Effectiveness of BMD Management (Y1) on Quality of LKPD (Y3)	,049	Ho denied

Source: Processed data (2018).

The result of data processing model of structural equation above by using Amos 24 shows some results which can be explained as follows:

- The result of hypothesis testing shows that motivated behavior (PT) does not have significant correlation to Quality of Local Government Financial Statements (KLK), ($p = 0,370$ or $p > 0,05$).
- Proof of Ownership (BK) of Regional Property has a significant effect on Quality of Financial Statement (KLK). The results of this study indicate that the evidence of BMD ownership has a significant influence on the quality of Local Government Financial Statements ($p < 0.05$).
- Regular assessment of fixed assets (PAT) has a positive effect on the quality of local government financial statements (KLK) ($p < 0.05$).
- The results show that motivated behavior (PT) of SKPD Leaders in carrying out technical functions as Users of Properties have a very significant relationship to the effectiveness of achievement of BMD management objectives (EPB), ($p < 0.001$).

- e. The results showed that evidence of ownership of BMD (BK), gave a very significant effect ($p < 0.001$) on the Effectiveness of BMD Management (EPB). Several previous studies linking evidence of ownership to LKPD's quality, among others Rudianto et al., (2013) suggest that insufficient evidence of ownership is a constraint that disrupts the presentation of financial statements for the division of district. And Anshari et al., (2014) explains that the inventory of regional property and ownership of evidence of regional property has significant influence on the quality of the financial report.
- f. The results of this study indicate that regular assessment (PAT) has a very significant effect on the effectiveness of management of BMD (EPB) ($p < 0.001$). This is in line with the high benefits and objectives of BMD assessment in local government to support the event of utilization and alienation of BMD by Local Government with other parties. This research is in line with previous research results related to the relationship between BMD and LKPD quality assessment, among others Rudianto, 2013, Anshari et al., 2014 & Poae, 2015.
- g. As a mediator, the effectiveness of BMD management is influenced and positively related to the behavior of motivated users of properties, proof of ownership and regular utilization, and simultaneously as a mediator gives a positive influence in fulfilling the quality of financial statements. In the utilization stage, the form of leasing, utilization and wake-up cooperation for delivery is always required to adhere to the applicable accounting policies.

4.2. Discussion

In order for the implementation of the use of local wealth can be done properly and correctly so that can be achieved effectiveness and efficiency to the management of local assets, the manager of the assets of the region should hold fast to the principle. Functional principle of decision making and problem solving in the field of regional wealth utilization by the power of the goods user, the goods user, the goods manager, and the Regional Head according to their respective functions, authorities and responsibilities. The principle of efficiency that is the use of local property is directed so that the goods belonging to the region are used in accordance with the standard constraints of the necessary requirements in order to support the handler and the activities of the utilization of regional property must be accountable to the people. Regional assets/property shall be all regional wealth whether purchased or obtained at the expense of the Regional Revenue and Expenditure Budget or derived from other legal acquisitions (Hasan *et al.*, 2017 & Muda *et al.*, 2018). Regional assets/property either movable or immovable, and its parts or any of which are certain units which can be assessed, calculated, measured, or weighed. appropriate strategies in the utilization of local assets. Strategic objectives to be achieved in the policy of management/utilization of regional assets include: (1) The realization of administrative order concerning the area wealth concerning the inventory of land and buildings, certification of regional wealth, deletion and sale of regional assets, exchange reporting system, grants, and ruislag; (2) Creation of efficiency and effectiveness of regional asset development; (3) Security of regional assets; and (4) Availability of accurate information about the amount of regional wealth. One of the optimization of regional goods/assets that can be done so as not to burden the budget of revenues and expenditures, and even increase the PAD is through: lease agreement, cooperation utilization, Build Operate and Transfer (BOT); and Build Transfer Operate. The imposition of retribution on the utilization of local wealth is a manifestation of community mutual cooperation to participate in carrying out development in the region, so the purpose of regional autonomy to improve the welfare of the community can be realized.

5. CONCLUSIONS AND RECOMENDATION

- a. Management of Regional Property and any factors that influence it are important in realizing decent food and quality of local government financial statements.
- b. Motivated behavior from Head of Organization of Regional Device in carrying out function as user of goods give a real impact to the achievement of local goods management objectives. The same is shown by the importance of proof of ownership and regular assessment of fixed assets.
- c. This research contributes to the use of the effectiveness variables of local property management in mediating factors that affect the quality of local government financial statements as a description of the actual stages of the state financial accountability process.

5.1. Limitations of this study include

- a. Using a sample of 13 local governments that responded to the achievement of financial reporting opinions from a total of 34 local governments.
- b. Although the selection of variables in the research model resulted in new findings in the discussion of the quality of local government financial statements, it is believed that there are many other factors that can be studied in relation to the quality of local government financial statements.
- Some recommendations that can be given for future research:
 - a. Develop more moderating variables on the quality of local government financial statements in view of the many factors that support and undermine the achievement of the quality of financial statements and expand data and sample research.

REFERENCE

- [1] Abdullah, Syukriy 2006. Relationship and Agency Problems in Local Government: A Budget Research and Accounting Opportunity. *Journal of Governmental Accounting*. 2(1).17-26.
- [2] Ahmad, Abdollahia. 2016. Time Pressure, Fee Pressure and Audit Quality International. *Journal of New Studies In Management Research*. Special Issue 1(1). 58-61,
- [3] Ahmad, N. Obaidat, 2007. Accounting Information Qualitative Characteristics Gap: Evidence from Jordan. *International Management Review*. 3(2). 21-29.
- [4] Anshariet. 2012. Effect of Regional Property Management on Quality of Government Financial Statement of Padang City, *E-journal*. State University of Padang.
- [5] Asgarkhani, Mehdi, 2005. The Effectiveness of e- Service in Local Government: "A Case study. *e-Journal of e-Government*. 3(4). 157-166.
- [6] Azlina, Nur. A. Hasan, Desmiyawati & Muda, I.2017. The Effectiveness of Village Fund Management. *International Journal of Economic Research*. 14(12). 325-336.
- [7] Bodnar, George, H., and Hopwood, William, S., 2004. *Accounting Information Systems*. Ninth Edition. Upper Saddle River, New Jersey 07458: Pearson Education Inc.
- [8] Bukenya, Moses, 2014. Quality of Accounting Information and Financial Performance of Uganda's Public Sector. *American Journal of Research Communication*.
- [9] Dalimunthe, D.M.J.,Fadli, and Muda, I. 2016. The application of performance measurement system model using Malcolm Baldrige Model to support Civil State Apparatus Law (ASN) number 5 of 2014 in Indonesia. *International Journal of Applied Business and Economic Research*. 14(11). 7397-7407.
- [10] Davis, Keith, & Newstorm, 1996. *Organizational Behavior*. Issue Seven. Jakarta: Erlangga Publishers.

Determinant Analysis of the Quality of Local Government Financial Statements in North Sumatra
with the Effectiveness of Management of Regional Property as a Mediator

- [11] Decree of the Minister of Finance of the Republic of Indonesia No. 01/Km.12/2001 Concerning Guidelines for Capitalization of State Property/State Property in Government Accounting System, Ministry of Finance, 2001. Republic of Indonesia.
- [12] Donaldson, L. and J.H. Davis. 1991. *Stewardship theory or agency theory: CEO governance and shareholder returns*. Australian Journal of Management, 16(1). 2-32.
- [13] Erlina, A. Saputra & Muda, I. 2017. Antecedents of Budget Quality Empirical Evidence from Provincial Government In Indonesia. *International Journal of Economic Research*. 14(12). 301-312.
- [14] Erlina, A. Saputra & Muda, I. 2017. The Analysis of the Influencing Factors of Budget Absorption. *International Journal of Economic Research*. 14(12). 287-300.
- [15] Erwin, K., Abubakar, E., Muda, I. 2018. The relationship of lending, funding, capital, human resource, asset liability management to non-financial sustainability of rural banks (BPRs) in Indonesia. *Journal of Applied Economic Sciences*, Volume XIII, Spring. 2(56). 520-542.
- [16] Ferdy, Van Beest. 2009. *Quality of Financial Reporting: measuring qualitative characteristics NiCE Working Paper 09-108 April 2009*, Geert Braam Suzanne Boelens Nijmegen Center for Economics (NiCE) Institute for Management Research Radboud University Nijmegen.
- [17] Financial Accounting Standard Board, 2008. *Statement Fiancial of Accounting Concept No 2, Qualitative Characteristics of Accounting Information*.
- [18] Gibson, James L. 1996. *Organization: Behavior, Structure, Process*. Interpreted by Ninuk Adriani. Jakarta: Binarupa Aksara.
- [19] Government Regulation Number 24 Year 2005 regarding Government Accounting Standards (State Gazette of the Republic of Indonesia Year 2005 Number 495, Supplement to State Gazette of the Republic of Indonesia Year 2005 Number 4503). Republic of Indonesia.
- [20] Government Regulation Number 58 Year 2005 regarding Regional Financial Management (State Gazette of the Republic of Indonesia Year 2005 Number 140. Republic of Indonesia.
- [21] Government Regulation Number 71 Year 2010 concerning Government Accounting Standards (State Gazette of the Republic of Indonesia Year 2010 Number 123, Supplement to State Gazette of the Republic of Indonesia Number 5165); And Technical Bulletin Number 9 Year 2010 Related Fixed Assets. Republic of Indonesia.
- [22] György, Attila, 2012, *Agency Problems In Public Sector*. Bucharest Academy of Economic Studies, Assurance, Banks and Stock Exchange <https://ideas.repec.org/a/ora/journal/v1y2012i1p708-712>.
- [23] Hasan, A, Gusnardi & Muda, I. 2017. Analysis of Taxpayers and Understanding Awareness Increase in Compliance with Taxpayers Individual Taxpayers. *International Journal of Economic Research*. 14(12). 75-90.
- [24] Havid. 2013. The reliability and timeliness of Financial Reporting is influenced by Human Resource Capacity, Utilization of Information Technology and Organizational Commitment and Internal Control System of Accounting as Moderator of Moderate. *Journal of Engineering Research*. 8(2). 12-22.
- [25] Joaquín, Sevilla, 2010. The reporting structure and budget discipline have an effect on financial accountability. *Journal of Engineering Research*. 5(1). 66-78.
- [26] Kachornkittiya, Natteed. 2012. Factors Affecting Public Service Motivation: Empirical study of municipal employees in the three Southern border Provinces of Thailand. *Journal of Business and Social Science*. 3(18). Special Issue.
- [27] Khan, Abdul and Stephen Mayes, 2009. *Transition Accrual Accounting, Technical Notes and Manual*, International Monetary fund.
- [28] Kieso, E Donald. Weygandt, J Terry and Warfield D. Terry, 2007. *Intermediate Accounting*. The Twelfth Edition. Volume 2. Jakarta. Erlangga Publishers.
- [29] Kreitner, Robert & A. Kinicki. 2001. *Organizational Behavior*. 5th Edition. McGrawHill, New York.

- [30] Langelo, Friska. 2015. Analysis of Implementation of Accrual Based Government Accounting Standards in Presentation of Financial Statements. *Journal of EMBA*. 3(1).1-8.
- [31] Law Number 1 of 2004 on State Treasury (State Gazette of the Republic of Indonesia of 2004 Number 5, Supplement to the State Gazette of the Republic of Indonesia Number 4355). Republic of Indonesia.
- [32] Law Number 23 Year 2014 on Regional Government (State Gazette of the Republic of Indonesia Year 2014 Number 244, Supplement to the State Gazette of the Republic of Indonesia Number 5587) as amended several times and the latest by Law Number 2 Year 2015 on Stipulation of Government Regulation in Lieu of Law. Republic of Indonesia.
- [33] Law of the Republic of Indonesia Number 17 Year 2003 regarding State Finance (State Gazette of the Republic of Indonesia Year 2003 Number 47, Supplement to State Gazette of the Republic of Indonesia Number 4286). Republic of Indonesia.
- [34] Lehtinen, 2013. *Understanding timeliness and quality of financial reporting in a Finnish public company*.
- [35] Lubis, A., Rustam and Muda, I. 2017. Factors Affecting The Cost of Agency of Village Owned Enterprise (BUMDES) in Indonesia. *International Journal of Economic Research*. 14(21). 151-166.
- [36] Lubis, A., Torong, Z.B., and Muda, I. 2016. The urgency of implementing balanced scorecard system on local government in North Sumatra–Indonesia. *International Journal of Applied Business and Economic Research*. 14(11). 7575-7590.
- [37] Lubis, A.F., Lubis, T.A., and Muda, I. 2016. The role of Enterprise Resource Plan (ERP) configuration to the timeliness of the financial statement presentation. *International Journal of Applied Business and Economic Research*. 14(11). 7591-7608.
- [38] Merima Karić. 2014. *Motivation of Public Sector Employees: The Case of The Novi Grad Sarajevo Municipality*.
- [39] Michael B. Adams, 1994. Agency Theory and the Internal Audit. *Managerial Auditing Journal*. 9(8). 8-12.
- [40] Muda, I & A. A. F. Hutapea. 2018. Influence of capital expenditure and income original region to the income per capita in Indonesia. *IOP Conference Series: Earth and Environmental*. 2018. 126
- [41] Muda, I & Abykusno Dharsuky. 2015. Impact Of Region Financial Information System (SIKD) Quality, Role Ambiguity And Training on Precision of Financial Statement of Local Government Presentation In North Sumatra. *International Journal of Applied Business and Economic Research*, 13(6). 4283-4304.
- [42] Muda, I, 2017. The Effect of Allocation of Dividend of the Regional Government-Owned Enterprises and the Empowerment Efforts on the Revenue of Regional Government: The Case of Indonesia. *European Research Studies Journal*. XX(4B). 244-259.
- [43] Muda, I, D.Y. Wardani, Erlina, A. Maksum, A.F.Lubis & R.Bukit. 2017. The Influence of Human Resources Competency and The Use of Information Technology on The Quality of Local Government Financial Report with Regional Accounting System as an Intervening. *Journal of Theoretical and Applied Information Technology*. 95(20). 5552-5561.
- [44] Muda, I, Dharsuky. A., Siregar, H.S., & Sadalia, I. 2017. combined loading and Cross-dimensional loadings timeliness of presentation of financial statements of local government. *IOP Conference Series : Materials Science and Engineering*. 180.
- [45] Muda, I, M.Ismail & Marhayanie. 2017. Impact Allocation Capital Expenditure on The Improvement of the Local Government Assets in North Sumatra and Effect on Local Revenue Sustainability. *International Journal of Economic Perspectives*. 11(2). 110-123.
- [46] Muda, I., & A. H. Harahap, Erlina, S.Ginting, A. Maksum & E. Abubakar. 2018. Factors of quality of financial report of local government in Indonesia. *IOP Conference Series: Earth and Environmental Science*. 2018. 126 doi:10.1088/1755-1315/126/1/012067.
- [47] Muda, I., & R.Naibaho. 2018. Variables influencing allocation of capital expenditure in Indonesia. *IOP Conference Series: Earth and Environmental Science*. 2018. 126.

Determinant Analysis of the Quality of Local Government Financial Statements in North Sumatra
with the Effectiveness of Management of Regional Property as a Mediator

- [48] Nader, R. 1988. *Leadership and motivation*. Retrieved from: <http://www.ibrd.gov.nl.ca/regionaldev/lm.pdf>
- [49] Nasir, A; Y.M.Basri, Kamaliah & Muda, I. 2017. Effectiveness of Potential Tax Region as the Real Local Revenue Sources in Riau Coastal Area. *International Journal of Economic Research*. 14(12). 313-324.
- [50] Nkabu, Kimathi Patrick 2010, *Factors Affecting The Effectiveness of Financial Regulations In Kenya's Public Sector: A Case Of Government Ministries And State Owned Enterprises*.
- [51] Nogueiraa, Sónia Paula S., Susana Margarida & F. Jorge 2015. *Explanatory factors for the use of the financial report indecision-making: Evidence from Local Government in Portugal*
- [52] Nurlina & Muda, I. 2017. The Analysis of The Effects of Capital Expenditure and Human Development Index on Economic Growth and Poverty in East Aceh Regency. *International Journal of Economic Research*. 14(17). 415-428.
- [53] Nurzaimah, Rasdianto & Muda, I. 2016. The skills and understanding of rural enterprise management of the preparation of financial statements using Financial Accounting Standards (IFRS) financial statement on the Entities without Public Accountability (ETAP) framework on the implementation of village administration law. *International Journal of Applied Business and Economic Research*. 14(11). 7417-7429.
- [54] Ochung, F.O. 2017. *Factors Influencing Quality of Financial Reporting In Public Sector Entities In The Ministry of Environment And Natural Resources, Kenya* (Doctoral dissertation, KCA University).
- [55] Okeree, Wisdom, Basey Enemesit, 2017. Public sector accounting standards and quality of financial reporting: A case of Ogun state government administration in Nigeria. *Business and Management Research Journal*. 7(7). 76–81.
- [56] Olagunju, Adebayo. 2011. Empirical Analysis of the Impact of Auditors Independence on the Credibility of Financial Statement in Nigeria. *Research Journal of Finance and Accounting*. 2(3). 43-54.
- [57] Poae, Yulpi, 2017. The Effect of Regional Property Management on Quality of Local Government Financial Statement of Talaud Islands Regency. *Journal of Public Sector Accounting*. 3(1). 66-75.
- [58] Pohan., N., Badaruddin., R.F Dalimunthe., A. Purwoko., & Muda, I., 2018. The Effects of Human Resource Development and Institutional Arrangements on Performance, Service Quality and Area Development in Indonesia. *Quality Access to Success*. 19(163). 94-102.
- [59] R Gibbon., 1992. *Agency Theory* in lecture note 1 :15-903.
- [60] Regulation of the Minister of Home Affairs Number 13 Year 2006 regarding Regional Financial Management System and Procedures as amended by Regulation of the Minister of Home Affairs Number 21 Year 2011. Republic of Indonesia.
- [61] Regulation of the Minister of Home Affairs Number 17 of 2007 concerning Technical Guidance on Management of Regional Property. Republic of Indonesia.
- [62] Regulation of the Minister of Home Affairs Number 19 Year 2016 on Guidelines for Management of Regional Property. Republic of Indonesia.
- [63] Regulation of the Minister of Home Affairs Number 64 Year 2013 on the Implementation of Accrual Basis Accounting to Local Government. Republic of Indonesia.
- [64] Robbin, A Walters & Kenneth, 1986. Disclosure Quality in Governmental Financial Reports: An Assessment of The Appropriateness of A Compound Measure. *Journal of Accounting Research*. 24(2). Autumn 1986 Printed In U.S.A.
- [65] Robert Davis, 2006. *An Introduction to Asset Management, A simple but informative introduction to the management of physical assets*, published by blah d blah design ltd Subsidiary of EA Technology Ltd Capenhurst Technology Park Capenhurst Chester.
- [66] Rudianto, Simamora & Abdul Halim, 2013. Factors Affecting Asset Management After Regional Expansion and Its Influence on the Quality of Government Financial Statements in Tapanuli Selatan Regency. *Journal of Economics and Business*. 2(1). 1-10.

- [67] S.P. Hariningsih, 2006. *Accounting Information Systems*. Yogyakarta: ARDANA MEDIA Publisher.
- [68] Sadalia, .Isfenti. N.A.B. Rahamani & Muda, I. 2017. The Significance of Internet Based Financial Information Disclosure on Corporates' Shares in Indonesia. *International Journal of Economic Research*. 14(12). 337-346.
- [69] Samelson, Donald. 2006. The Determinants of Perceived Audit Quality And Auditee Satisfaction In Local Government. *Journal of Public Budgeting, Accounting & Financial Management*. Summer 2006.18(2). 139-166.
- [70] Saptogiri, Rochmadi, 2012. The Influence of Motivated Behavior Leadership DPRD and Head of Region and Competence Head of APIP Against Follow Up Results Audit BPK RI and Implications On Quality Report Local Government Finance in South Sulawesi.
- [71] Setyaningrum, Diah. 2012. Analysis of Factors Affecting BPK-RI Audit Quality. Republic of Indonesia.
- [72] Sihombing, M, Muda, I, E. Jumilawati & A.Dharsuky. 2017. Factors Affecting The Success of Local Innovation Systems with Government Programs As Moderators. *International Journal of Economic Research*. 14(21). 272-289.
- [73] Sirojuzilam, Hakim, S., & Muda, I. 2017. Effect of Private Collaborative as a Moderation of Success of Agropolitan Program. *International Journal of Economic Research*. 14(20). 463-475.
- [74] Stephen P.Robbin, Timothy A. Judge. 2013.*Organizational Behaviour*. Fifteenth Edition, Pearson Education, Inc.
- [75] Supreme Audit Board of the Republic of Indonesia, Summary of Semester Examination Results (2012-2016). Republic of Indonesia.
- [76] Tarmizi, H.B.,Daulay, M & Muda, I. 2016. The influence of population growth, economic growth and construction cost index on the local revenue of tax on acquisition of land and building after the implementation of law no. 28 of 2009. *International Journal of Economic Research*.13(5).2285-2295.
- [77] Wilkinson.J.W. Cerullo.M.J., Raval.V., & Won-on-wing.B., 2000. *Accounting Information Systems*", 4th Edition, 3-26.
- [78] Yahya, I, Torong, Z.B., & Muda, I. 2017. Influence Behavior in Legislature Budget Development of Regions in the Province of Aceh and North Sumatra. *International Journal of Economic Research*. 14(8). 147-159.
- [79] Zeyn, Elvira, 2011. The Influence of Good Governance and Government Accounting Standards Against Financial Accountability With Commitment to Organize As Moderator. *Journal of Accounting and Finance Review*.1(1).31-42.
- [80] Imang Dapit Pamungkas, Imam Ghozali and Tarmizi Achmad, the Effects of the Whistleblowing System on Financial Statements Fraud: Ethical Behavior as the Mediators, *International Journal of Civil Engineering and Technology*, 8(10), 2017, pp. 1592–1598.
- [81] Nazahan Sarhan Qahtan, Dr. M. H.Dashti, Analysis and Interpretation of Financial Statement of Company, *International Journal of Management (IJM)*, Volume 5, Issue 4, April (2014), pp. 38-41