Factors Affecting the Quality of Financial Reports in the Government of Langkat Regency

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Abstract

The purpose of this study is to examine and analyze how much influence the application of Government Accounting Standards (SAP) has on the quality of the Langkat Regency Government's financial reports. The research approach uses an associative approach. The research was conducted at SKPD in the Langkat Regency Government. The population in this study amounted to 54 (fifty four) SKPD with a total of 167 (one hundred and sixty seven) respondents. By using the purposive sampling method, the number of samples taken was 31 (thirty one) SKPD with a total of 98 (ninety eight) respondents and also used as research respondents, consisting of the head of the financial sub-section as PPK-SKPD or PPK-SKPD assistants, expenditure treasurer or assistant treasurer, and Property Manager at the Service, Agency and Office within the Langkat Regency Government. This research uses data analysis method using SmartPLS.3 software which is run with computer media. Based on the research results, the application of SAP has an effect on the quality of financial reports. The quality of human resources affects the quality of financial reports. The application of SPIP affects the quality of financial reports. The use of IT affects the quality of financial reports. BMD management affects the quality of financial reports.

I. Introduction

Financial statements are important because they describe transactions carried out by public sector organizations and are a medium for entities to account for their activities to the public, besides that they also function to provide information in decision making. Therefore, the government must pay attention to the information presented in the financial statements.

Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021) . Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021)

Problems regarding the quality of financial reports are now getting hotter to discuss, the number of cases of poor quality of local government financial reports in Indonesia is still a hot issue that needs to be studied more deeply. This problem is proven by obtaining an opinion disclaimer in several local government agencies in Indonesia. Opinion disclaimer given to the financial statements because government auditors have difficulty in applying

audit procedures to some of the accounts presented. The low quality of financial reports is generally caused by the preparation and presentation of financial statements that do not meet government accounting standards (SAP), regional financial management systems, inadequate government internal control systems (SPIP) and lack of competence of existing accounting staff and poor BMD management not good.

Good regional financial management must be carried out in order to realize the goal of a clean government, where good regional financial management is the ability to control regional financial policies economically, efficiently, transparently and accountably. Governmental Accounting Standards Board (1999) in Concepts Statement No. 1 concerning the Objectives of Financial Reporting states that accountability is the basis of financial reporting in government which is based on the public's right to know and receive explanations for the collection of resources and their use. Accountability is defined as a form of obligation to account for the success or failure of implementing the organization's mission in achieving predetermined goals and objectives, through a medium of accountability that is carried out periodically.(Mardiasmo, 2018).

The information in the financial statements must be free from misleading understanding and material errors, present every fact honestly, and can be verified. The information contained in the financial statements will be more useful if it can be compared with the financial statements of the previous period or the financial statements of other reporting entities in general. Comparisons can be made internally and externally. Internal comparisons can be made when an entity applies the same accounting policies from year to year. External comparisons can be made if the entities being compared apply the same accounting policies.

If according to Law 15 of 2005 concerning Audit of State Financial Management and Responsibility, the quality of financial reports is said to be good if it obtains a WTP opinion, the quality of the Regional Government Financial Reports in Langkat Regency is not yet fully good, this can be seen from the BPK's Opinion on the Regional Government Financial Reports.

Table 1. BPK-RI's opinion of Government's Financial Report Langkat Regency

NO.	FISCAL YEAR	OPINION
1	2010	TMP
2	2011	WDP
3	2012	WDP
4	2013	WDP
5	2014	WDP
6	2015	WDP
7	2016	WDP
8	2017	WDP
9	2018	WDP
10	2019	WTP

Source: BPK RI Representative of North Sumatra (2021)

II. Review of Literature

2.1 Agency Theory

Agency theory can be applied in public organizations. The agency relationship in a democratic government is the relationship between the delegation of authority from the community to its representatives in parliament, from parliament to the government, from the government to ministers and from the government to the bureaucracy. (Halim, & Syukri, 2006).

2.2 Quality of Financial Reports

In the KBBI quality is defined as follows: (a) the level of good or bad something, (b) the degree or level (intelligence, skill, etc. Quality is a dynamic condition related to products, services, people, processes, and the environment that meet or exceed expectations (Tangkilisan, 2010).

2.3 The Role and Purpose of Financial Statements

In PP 71 of 2010 it is stated that the financial statements are prepared to provide relevant information regarding the financial position and all transactions carried out by a reporting entity during one reporting period.

2.4. Financial Statement Components

SKPKD's financial report as a reporting entity based on PP 71 of 2010 consists of Budget Realization Report (LRA), Changes in Budget Balance Report (LPSAL), Operational Report (LO), Changes in Equity Report (LPE), Balance Sheet, Cash Flow Statement (LAK), Notes to Financial Statements (CaLK).

2.5. Factors Affecting the Quality of Financial Statements

Many factors affect the quality of government financial reports, including the application of SAP, human resource capacity, implementation of SPIP, utilization and control of IT, management of regional property (BMD).

2.6. Defenition of SAP

Government Accounting Standards are government guidelines for both central and local governments in compiling and presenting financial reports in an effort to achieve transparency and accountability. (Renyowijoyo, 2008).according to (Bastian, 2006) and PP 71 of 2010 concerning SAP, the presentation of financial statements consists of the following: Accrual basis, Components of financial statements Reporting period.

2.7. Conceptual Framework
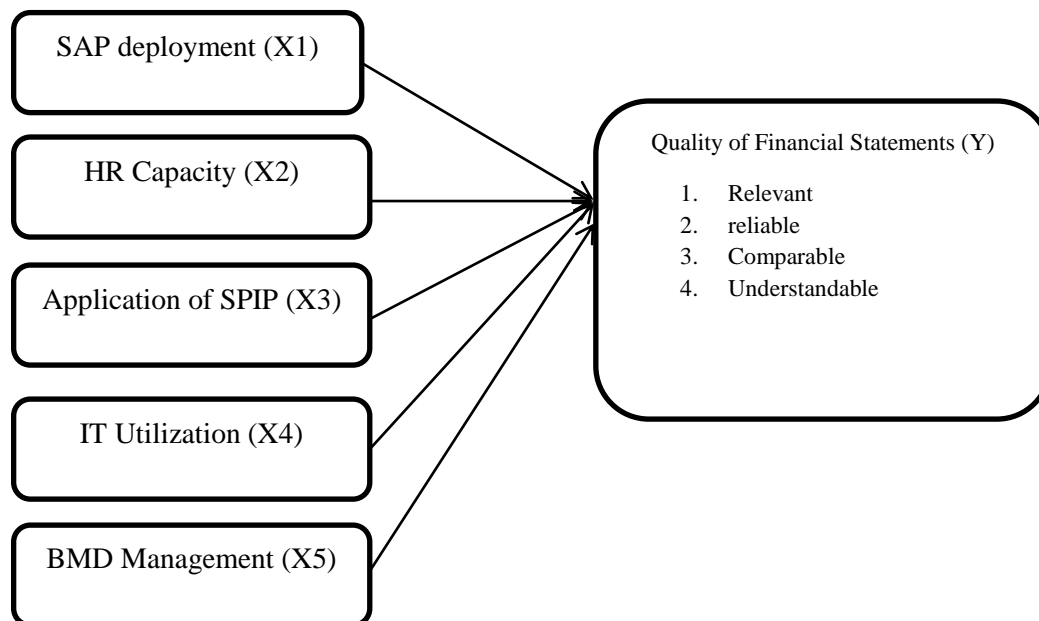
2.8. Research Hypothesis

Based on the research problem, theoretical basis and conceptual framework, the hypotheses of this study are:

1. The application of Government Accounting Standards (SAP) has an effect on the quality of the Langkat Regency Government's financial reports.
2. The quality of human resources (HR) affects the quality of the financial statements of the Langkat Regency Government.
3. The Government's Internal Control System (SPIP) has an effect on the quality of the Langkat Regency Government's financial reports.
4. The use of information technology (IT) affects the quality of the Langkat District Government's financial reports.

Regional Property Management (BMD) has an effect on the quality of the Langkat Regency Government's financial reports.

III. Research Method

In this study, researchers used an associative approach. (Sugiyono, 2018) suggests that associative research is research that aims to determine the relationship between two or more variablesand how closely the influence or relationship.This study is to see the effect of SAP implementation, HR quality, SPIP implementation, IT utilization and BMD management on the quality of financial reports in the Langkat Regency Government. This study uses a survey method from a population by relying on a questionnaire as a data collection instrument.

IV. Result and Discussion

Data was collected by distributing questionnaires directly to respondents. From the total sample, 98 questionnaires can be returned. Thus, only 98 questionnaires can be used to prove the research hypothesis. The results of descriptive statistics consist of respondents' characteristics (gender, age and education), Quality of Financial Reports (Y), SAP Income (X1), HR Capacity (X2), SPIP Implementation (X3), IT Utilization (X4), BMD Management (X5).

The data obtained from the respondents' responses are used to interpret the discussion so that it can be seen the condition of each indicator variable under study. According to Sugiyono (2009) that is based on the maximum score range and the minimum score divided by the number of desired categories using the following formula:

$$\text{Category Score Range} = \frac{\text{Maximum Score} - \text{Minimum Score}}{\text{Number of Categories}}$$

Guidelines for categorizing the average score of respondents' responses:

Questionnaire Interval	Category
1.00–1.80	Not Good/ Very Low/ Inadequate
1.81–2.60	Not Good/Low/Inadequate
2.61–3.40	Fairly Good/ Moderate/ Fairly Adequate
3.41–4.20	Good/ High/ Adequate
4.21–5.00	Very Good/ Very High/ Very Adequate

4.1. Outer Model Analysis

Outer model analysis is used to test the measurements used are feasible to be used as valid measurements. There are several indicators in the analysis of the outer model, including convergent validity, discriminatory validity, and composite reliability. The value of the outer model between the construct and the variable has met convergent validity because the indicator has a validity value above 0.5.

a. Discriminant Validity

Table 1. Cross Loading

	SAP Deployment	HR Capacity	SPI	IT Implementation	BMD Management	Financial Report Quality
X1.1	0.814	0.676	0.640	0.667	0.538	0.493
X1.10	0.808	0.635	0.657	0.587	0.647	0.570
X1.2	0.592	0.437	0.545	0.420	0.562	0.470
X1.3	0.653	0.639	0.619	0.647	0.451	0.607
X1.4	0.648	0.566	0.582	0.622	0.580	0.551
X1.5	0.643	0.504	0.549	0.591	0.472	0.467
X1.6	0.653	0.650	0.594	0.357	0.362	0.611
X1.7	0.655	0.617	0.616	0.550	0.497	0.498
X1.8	0.695	0.546	0.676	0.640	0.667	0.664
X1.9	0.600	0.560	0.488	0.233	0.139	0.133
X2.1	0.049	0.554	0.491	0.018	0.193	0.312
X2.2	0.053	0.710	0.143	0.178	0.190	0.272
X2.3	0.276	0.615	0.151	0.234	0.139	0.077
X2.4	0.364	0.664	0.613	0.598	0.538	0.493
X2.5	0.615	0.718	0.645	0.677	0.547	0.570
X3.1	0.653	0.548	0.884	0.562	0.522	0.515
X3.2	0.305	0.305	0.690	0.530	0.349	0.355
X3.3	0.621	0.614	0.744	0.272	0.416	0.437
X3.4	0.562	0.716	0.752	0.416	0.488	0.233
X3.5	0.648	0.761	0.773	0.481	0.606	0.647
X3.6	0.585	0.736	0.812	0.416	0.295	0.736
X3.7	0.476	0.402	0.517	0.403	0.233	0.478
X3.8	0.611	0.619	0.800	0.189	0.132	0.253
X3.9	0.485	0.612	0.700	0.370	0.105	0.632
X3.10	0.465	0.522	0.555	0.412	0.491	0.082
X4.1	0.474	0.487	0.429	0.509	0.447	0.044
X4.2	0.587	0.070	0.487	0.696	0.640	0.509
X4.3	0.502	0.565	0.493	0.736	0.485	0.520
X4.4	0.609	0.512	0.570	0.718	0.565	0.559
X4.5	0.664	0.529	0.470	0.711	0.588	0.562
X4.6	0.658	0.562	0.597	0.664	0.574	0.584
X5.1	0.649	0.530	0.551	0.538	0.800	0.653
X5.2	0.453	0.272	0.467	0.447	0.556	0.405
X5.3	0.548	0.416	0.611	0.562	0.795	0.621

	SAP Deployment	HR Capacity	SPI	IT Implementation	BMD Management	Financial Report Quality
X5.4	0.624	0.481	0.498	0.451	0.777	0.562
X5.5	0.447	0.416	0.664	0.580	0.711	0.648
X5.6	0.746	0.503	0.312	0.472	0.801	0.585
X5.7	0.498	0.424	0.272	0.662	0.703	0.676
X5.8	0.617	0.569	0.077	0.497	0.810	0.611
X5.9	0.773	0.522	0.493	0.667	0.777	0.485
X5.10	0.706	0.449	0.570	0.193	0.751	0.565
X5.11	0.540	0.416	0.515	0.190	0.723	0.588
X5.12	0.560	0.488	0.233	0.139	0.730	0.674
X5.13	0.730	0.606	0.647	0.538	0.767	0.502
X5.14	0.513	0.295	0.736	0.547	0.798	0.609
X5.15	0.627	0.233	0.578	0.522	0.788	0.664
X5.16	0.501	0.248	0.253	0.549	0.602	0.558
X5.17	0.522	0.038	0.632	0.416	0.898	0.030
X5.18	0.682	0.015	0.542	0.653	0.775	0.078
X5.19	0.651	0.013	0.565	0.692	0.850	0.031
X5.20	0.607	0.690	0.759	0.489	0.826	0.101
X5.21	0.578	0.502	0.565	0.485	0.698	0.520
Y.1	0.538	0.493	0.688	0.741	0.585	0.837
Y.2	0.647	0.570	0.687	0.768	0.664	0.911
Y.3	0.562	0.470	0.607	0.739	0.746	0.828
Y.4	0.451	0.697	0.664	0.656	0.568	0.745
Y.5	0.580	0.551	0.685	0.811	0.655	0.764
Y.6	0.472	0.467	0.657	0.729	0.666	0.795
Y.7	0.662	0.611	0.625	0.772	0.653	0.794

Source: Edited By The Author, 2021

Based on these data, it is known that each indicator in the research variable has the largest cross loading value on the variables it forms compared to the cross loading value on other variables. Based on the results obtained, it can be stated that the indicators used in this study have good discriminant validity in compiling their respective variables.

In addition to observing the value of cross loading, discriminant validity can also be known through other methods, namely by looking at the Average Variant Extracted (AVE) value for each indicator, it is required that the value must be > 0.5 for a good model (Ghozali, 2017)

Table 2. Average Varian Extracted (AVE)

Variable	(AVE)
SAP Deployment	0.888
HR Capacity	0.838
SPIP	0.797
IT Utilization	0.860
Regional Property Management	0.706
Financial Report Quality	0.660

Based on this, it is known that the AVE value of the SAP implementation variable, HR capacity, SPIP implementation, IT utilization, BMD management and financial report quality > 0.5, it is stated that each variable has good discriminant validity.

Table 3. Composite Reliability

Variable	Composite Reliability
SAP Deployment	0.939
HR Capacity	0.888
SPIP	0.921
IT Utilization	0.924
BMD Pengelolaan Management	0.923
Financial Report Quality	0.931

Source: Data processed by the author, 2021

Based on the table, it is known that the composite reliability value of all research variables is > 0.6. These results indicate that each variable has met composite reliability so that it can be concluded that all variables have a high level of reliability.

Table 4. Cronbach Alpha

Variable	Cronbach's Alpha
SAP Deployment	0.900
HR Capacity	0.827
SPIP	0.900
IT Utilization	0.858
BMD Pengelolaan Management	0.894
Financial Report Quality	0.913

Source: Data processed by the author, 2021

Based on the table, it is known that the value of Cronbach's alpha for each research variable is > 0.7. So these results indicate that each research variable has met the requirements of high reliability.

Table 5. Estimated Weight

Variable	P Values
SAP Implementation -> Financial Report Quality	**0.004**
HR Capacity -> Quality of Financial Reports	**0.000**
SPIP -> Financial Report Quality	**0.000**
IT Utilization -> Quality of Financial Reports	**0.000**
BMD Management -> Financial Report Quality	**0.000**

Source: Data processed by the author, 2021

In the table it is stated that the value of SAP Implementation -> Quality of Financial Statements is 0.004 with a minimum estimation weight of probability value < 0.2, so this research variable has a significant formative measurement model estimation value.

4.2. Inner Model Analysis
a. Path Coefficient Test

Path coefficient evaluation is used to show how strong the effect or influence of the independent variable on the dependent variable. Based on Figure 4.19 SEM-PLS Structural Research Scheme explains that the path coefficient value of the SAP Implementation variable -> Quality of Financial Statements is2.896, HR Capacity -> Quality of Financial Reports 4,574, SPIP -> Financial Report Quality 2.888. IT Utilization -> Quality of Financial Reports 4886, BMD Management -> Financial Report Quality 14,809. Based on the description, it shows that the variables in this model are the factors that affect the financial statements show a positive direction.

Table 6. Path Coefficient

Variable	Coefficient	T Value
SAP Implementation -> Financial Report Quality	0.150	2.896
HR Capacity -> Quality of Financial Reports	0.175	4,574
SPIP-> Financial Report Quality	0.091	2.888
IT Utilization -> Quality of Financial Reports	0.301	4.886
BMD Management -> Financial Report Quality	0.752	14,809

b. Goodness of Fit Test

Based on data processing carried out with the SmartPLS 3.0 program, the R-Square value is obtained as follows:

Table 7. R-Square

Variable	R Square
Financial Report Quality	0.717

Source: Data processed by the author, 2021

Variable	Coefficient	Coefficient2	R
SAP Implementation -> Financial Report Quality	0.150	0.0225	2.25
HR Capacity -> Quality of Financial Reports	0.175	0.030625	3.0625
SPIP -> Financial Report Quality	0.091	0.008281	0.8281
IT Utilization -> Quality of Financial Reports	0.301	0.090601	9.0601
BMD Management -> Financial Report Quality	0.752	0.565504	56.5504
Total		**0.717**	**71.7**

In the table, the R-Square value obtained is 0.717 for the financial report quality variable. This value interprets that the factors that affect the quality of financial statements are only able to explain the variance in the quality of financial statements around 71.7%, the rest is influenced by other factors not mentioned in this study.

F-Square is a measure used to assess the relative impact of a variable that affects (exogenous) on the variable that is influenced (endogenous). Changes in the value of R2 when certain exogenous variables are removed from the model can be used to evaluate

whether the omitted variables have a substantive impact on endogenous constructs (Juliandi, 2018). F-Square criteria according to (Juliandi, 2018) are as follows:
1) If the value of F2 = 0.02 means a small effect of the exogenous variable on the endogenous variable.
2) If the value of F2 = 0.15 means a moderate/severe effect of the exogenous variable on the endogenous variable.
3) If the value of F2 = 0.35 means a large effect of exogenous variables on endogenous variables.

Table 8. R-Square

Variable	SAP Deployment	Quality of Financial Reports	HR Capacity	SPIP	IT Utilization	BMD Pengelolaan Management
SAP Deployment		1.125				
HR Capacity		1,230				
SPIP		1.175				
IT Utilization		1.311				
BMD Pengelolaan Management		1.552				

Source: Processed by Researchers With SmartPLS Application

The conclusion from the F-Square test in the table above is that the variable SAP implementation on the quality of financial statements has a value of F2 = 1.125. So there is a large effect of exogenous variables on endogenous variables. The variable of human resource capacity on the quality of financial reports has a value of F2 = 1,230. So there is a large effect of exogenous variables on endogenous variables. The SPIP variable on the quality of financial reports has a value of F2 = 1.175. So there is a large effect of exogenous variables on endogenous variables. The IT utilization variable on the quality of financial reports has a value of F2 = 1.311. So there is a large effect of exogenous variables on endogenous variables. The variable of BMD management on the quality of financial reports has a value of F2 = 1,552. So there is a large effect of exogenous variables on endogenous variables.

Table 9. Direct Effect

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
SAP Implementation -> Financial Report Quality	0.072	0.658	0.148	2,896	0.004
HR Capacity -> Quality of Financial Reports	0.134	0.338	0.261	4,574	0.000
SPIP -> Financial Report Quality	0.071	0.134	0.164	2,888	0.000
IT Utilization -> Quality of Financial Reports	0.157	0.014	0.229	4,886	0.000
BMD Management -> Financial Report Quality	0.778	0.115	0.085	14.809	0.000

Source: Processed by Researchers with SmartPLS Application

The conclusion of the direct effect value in the table above is as follows:

1) Variable SAP Implementation -> Financial Report Quality has a path coefficient value of 0.072 and a P-Value of 0.000 (<0.05), meaning that the application of SAP affects the quality of financial reports.
2) Variable HR Capacity -> Quality of Financial Reports has a path coefficient value of 0.134 and a P-Value of 0.000 (<0.05), meaning that human resource capacity affects the quality of financial reports.
3) Variable SPIP-> Financial Report Quality has a path coefficient value of 0.071 and a P-Value of 0.000 (> 0.05), meaning that having a government internal control system affects the quality of financial reports.
4) Variable IT Utilization -> Quality of Financial Reports has a path coefficient value of 0.157 and a P-Value of 0.000 (<0.05), meaning that the use of information technology affects the quality of financial reports.
5) Variable BMD Management -> Financial Report Quality has a path coefficient value of 0.778 and a P-Value of 0.000 (<0.05), meaning Regional Property Management affects the Quality of Financial Reports.

4.3. Hypothesis Test Results

Based on the data processing that has been done, the results can be used to answer the hypothesis in this study. Hypothesis testing in this study was conducted by looking at the t-statistic and p-value. The independent variable is declared to have a significant effect on the dependent variable if t-statistic> 1.98 (Appendix 5) and P-Value <0.05. The following are the results of data processing in this study using SmartPLS version 3.0:

Tabe 10. T-Statistics and P-Values

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
SAP Implementation -> Financial Report Quality	0.072	0.658	0.148	2,896	0.004
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Source: Data processed by the author, 2021

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4) Variable IT Utilization -> Quality of Financial Reports has a path coefficient value of

0.157 and a P-Value of 0.000 (<0.05), meaning that the use of information technology affects the quality of financial reports.
5) Variable BMD Management -> Financial Report Quality has a path coefficient value of 0.778 and a P-Value of 0.000 (<0.05), meaning Regional Property Management affects the Quality of Financial Reports.

4.4. The Effect of SAP Implementation on the Quality of Government Financial Reports

The accrual basis for LO means that income is recognized when the right to earn income has been fulfilled even though cash has not been received in the RKUN/RKUD or by the reporting entity and expenses are recognized when the obligation that results in a decrease in net worth has been fulfilled even though cash has not been released from the RKUN/RKUD. or reporting entity. Income such as assistance from outside/foreign parties in the form of services is also presented in the LO. In the event that the budget is prepared and implemented on a cash basis, the LRA is prepared on a cash basis, meaning that income and financing receipts are recognized when cash is received in the RKUN/RKUD or by the reporting entity; and expenditures, transfers and financing expenditures are recognized when cash is issued from the RKUN/RKUD. However, when the budget is prepared and implemented on an accrual basis,SAP must be a reference in the preparation and presentation of financial reports at the central and local governments in an effort to achieve transparency and accountability. SAP can be used as a bridge to unite perceptions between compilers and presenters, users/stakeholders and auditors. In compiling and presenting financial reports, the government must consistently apply SAP, so that the quality of financial reports can improve. The application of SAP in preparing and presenting financial reports can also minimize errors that may occur. Thus the application of SAP in compiling and presenting financial reports will have an impact on the quality of government financial reports.

4.5. The Influence of Human Resources Quality on the Quality of Government Financial Reports

The capacity of human resources in the Langkat Regency Government SKPD is not good, this is caused by: The Langkat Regency Government has not carried out an analysis of HR needs related to financial management, especially for the head of the financial sub-section as PPK SKPD who has the task of compiling and presenting SKPD financial reports. This corresponds toLHP BPK Number: 83/LHP/XVIII.MDN/10/2015 it is stated that the Langkat Regency Government has not conducted an analysis of HR needs for financial, asset and IT managers in the context of implementing PP Number 71 of 2010 concerning accrual-based SAP.This shows that the existing ASN in the SKPD Kab. Langkat especially partThe head of the financial subsection as PPK SKPD who has the task of compiling and presenting the financial statements of the SKPD already has experience in compiling financial reports so that in 2019 the auditor gave an unqualified opinion on the financial statements of the Regency Government Langkat.

4.6. The Effect of SPIP Implementation on the Quality of Government Financial Reports4

The Internal Control System/SPI is an integral process for actions and activities carried out continuously by the leadership and all employees to provide adequate assurance on the achievement of tujorganizational finance through effective and efficient activities, reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations. While SPIP is an Internal Control System which is carried out thoroughly within the central government and local governments (PP Number 60 of 2008 concerning SPIP). The

application of SPIP is contained in the statement item X3.10 with the statementThe leadership carries out continuous monitoring, periodic evaluation of the internal control system and if weaknesses are found, further research and corrective actions are carried out. This statement item is included in the monitoring indicator used with a cross loading value of 0.554. In terms of the implementation of SPIP in the Langkat Regency Government SKPD, this can be seen from the problems that ariseIn the BPK LHP there are many findings that are repeated in the next year.

4.7. The Effect of Mastery and Utilization of Technology on the Quality of Government Financial Reports

This is in accordance with the problems that occurred, namely based on the LHP BPK Number: 83/LHP/XVIII.MDN/05/2015, LHP BPK-RI Number: 35.B.LHP/XVIII.MDN/05/2016 and LHP Number: 46. B/LHP/XVIII.MDN/05/2017 which states that the existing application at the Langkat Regency Government has not been able to present inventory expenses in accordance with Appendix 1 of PP Number 71 of 2010 concerning accrual-based SAP. Computer software is a set of detailed program instructions that control and coordinate computer hardware components in an information system. The software used is a special application called the Regional Financial Management Information System which automatically prepares regional financial reports when the report is needed.

4.8. The Effect of BMD Management on the Quality of Government Financial Reports

The Regional Property Needs Plan (RKBMD) is prepared every year and is used as the basis for the preparation of the SKPD Budget Work Plan (RKA) and this statement item is included in the indicator Planning and Budgetingwith a cross loading value of 0.556. The weak management of BMD in the Langkat Regency Government can be seen from the BPK LHP which still contains findings related to inventory administration and BMD management with the following details:

1. The management of fixed assets is not in accordance with the actual conditions. LHP BPK number: 35.B/LHP/XVIII/.MDN/05/2016 with the following details:
a. There are still assets that are worth Rp. 0.00 to Rp. 100.00.
b. There are land assets without proof of ownership (Certificate).
c. There are indications of unrecorded fixed assets.
d. There is an indication that fixed assets are listed twice.
e. There are assets that are not capitalized to parent assets

V. Conclusion

Based on the results of the analysis using SmartPLS 3.0 and the discussion of the research results in the previous chapter, the following conclusions can be drawn:

1. The application of SAP affects the quality of financial reports. The higher or better the application of SAP in each SKPD as an accounting entity, the better the quality of the Langkat Regency Government's financial reports.
2. The quality of human resources affects the quality of financial reports. The higher or better the quality of ASN in each SKPD in the Langkat Regency Government, the better the quality of financial reports.
3. The application of SPIP affects the quality of financial reports. The better the implementation of SPIP in SKPD at the Langkat Regency Government, the better the quality of financial reports.

4. Mastery and utilization of IT affect the quality of financial statements. The more sophisticated or the better the technology used in preparing financial reports, the better the quality of financial reports.
5. BMD management affects the quality of financial reports. The better the SKPD in managing BMD, the better the quality of financial reports at the Langkat Regency Government.

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