

EFFECT OF AUDITOR AND INTERNAL CONTROL COMPETENCE APPARATUS FOR LOCAL GOVERNMENT QUALITY OF FINANCIAL REPORTING

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ABSTRACT: *The purpose of this study was to measure and demonstrate empirically the effect of Internal Control Auditor and Competence Regional Government Agencies, either partially or jointly on the Quality of Financial Reporting to the Regional Work Units in the Regional Government of Bekasi Regency which consists of agencies, agencies and Regional Inspectorate. The research approach is survey and descriptive research, quantitative and associative causal. Analysis and hypothesis testing using multiple regression analysis first order confirmation Factor Analysis, Factor Analysis second order confirmation and estimated using structural equation modeling (SEM). The findings of this study indicate that either partially or jointly Internal Control Auditor and Regional Government Agencies Competence proved positive and significant effect on the Quality of Financial Reporting. Dimensions or factors Internal Control Auditor dominant Objectivity Internal Auditor; dimension or competence factor Regional Government Agencies dominant skills, while the dimensions or factors Quality of Financial Reporting dominant Reliability.*

KEYWORDS: Internal Control Auditor, Competence Regional Government Agencies, Financial Reporting Quality.

INTRODUCTION

Central Government / Region in the Republic of Indonesia at this time to face the increasing demands of the implementation of public sector accountability towards the realization of good governance in Indonesia. This demands, among others, triggered by the fact that the economic crisis in Indonesia was caused by poor management of (bad governance) and poor bureaucracy (Sunarsip, 2001). These demands will be achieved if the government can present quality financial statements, ie statements that provide reliable and relevant information about the financial position and all transactions are done as a form of government responsibility for the funds that have been allocated. Phenomenon of internal auditors in this case the Minister of the Interior (Home Affairs) Gamawan Fauzi assess the quality of internal auditors local governments (LGs) and independence are still lacking. What more when confronted with the policy of the head of the troubled region. The independence of the internal auditor local government is still lacking, capability and integrity is also not satisfactory. This should be a concern improvement of quality and kredibilitas government internal auditors, the internal audit function in Indonesia is still not effective, the number of audit findings on LKPD and weaknesses of the Internal Control System (SPI), which should be terdeksi early by Inspectorate (BPK Chairman Hadi Purnomo- RI).

Akuntabilitas pelaporan keuangan negara masih memerlukan perbaikan sebagaimana ditandai dengan masih belum diperolehnya opini Wajar Tanpa Pengecualian (WTP) dari BPK atas Laporan Keuangan Pemerintah Pusat (LKPP) Tahun 2011, demikian juga atas 20 kementerian/lembaga (K/L) atau 23% dari total K/L, serta pada hampir semua pemerintah daerah (pemda), yaitu 431 pemda atau 87% dari 498 pemda yang diaudit BPK. Sebanyak 326 pemda atau 91% dari 358 pemda yang laporan keuangannya diaudit oleh Badan Pemeriksa Keuangan mendapatkan predikat buruk, hanya 32 pemda yang memperoleh opini wajar tanpa pengecualian.

With the enactment of the Act (Act) No. 17 of 2003 on State Finance, Government Regulation (PP) No. 71 of 2010 concerning Government Accounting Standards (SAP) and the Ministry of Home Affairs (Permendag RI) Number 59 Year 2007 regarding Guidelines for Financial Management, then every local government is expected to manage its finances economically, efficiently, effectively, transparently and in accordance with the legislation in force, then accounted for through the financial statements prepared under generally accepted accounting principles.

Preparation of Accountability of Government Institutions (LAKIP) is an obligation of government agencies both at the central and local levels in order to increase accountability, transparency and performance-based budgeting. Every institution as government representatives States are obliged to account for the execution of their duties and functions as well as the authority to manage the resources on the basis of a strategic plan set by each.

According to the Governmental Accounting Standards Board (GASB) Statement 1 in the concepts of Objective of Financial Reporting, accountability of public institutions both at the central and local governments is a must and is the main goal of the current government's financial reporting. The general purpose financial reporting as stated in the International Financial Reporting Standards (IFRS) is to provide financial information (the conceptual framework for financial reporting). The financial information in order to be useful for the users in making decisions, then that information should be qualified, ie have the qualitative characteristics. The importance of quality financial reports supported by the results of previous studies (Dechow and Dichev, 2002; Schipper and Vincent, 2003; Botosan, 2004; Daske and Gebhardt 2006 in Van Beest, 2009). Constraints that must be faced by the government, among others, concerning the accounting system and financial reporting, such as preparing legislation, systems, and infrastructure is not perfect, the lack of commitment of the leadership of K / L, the large number of work units still do not have the competence of government accounting, as well as yet adequate availability of quality human resources in the fields of finance and accounting. The government is still continuing to improve the quality of financial reports generated (Regulation No. 17 of 2003).

The amount of research that has looked at the issue of government financial statements include a roof top phenomenon occurs due to government financial report that obtaining adverse opinion and disclaimer because the preparation is not in accordance with existing standards and do not meet the adequacy of disclosure (Sri Adella, 2008). Research James (2003) indicates that the user considers internal audit department that reports to senior management less capable of providing protection against fraud in financial reporting compared to: (1) the department in house who report directly to the audit committee, and (2) the audit team outsourced internal reporting on the audit committee. The influence of the role of the auditor on the financial statement presentation government also appointed as the main theme of the study, which concluded that an audit institution should continue to improve their

competence, especially in the detection of fraud, including through strategic reasoning in the assessment of audit risk, audit planning and execution. (Nur Aisyah, 2012). This study was conducted to address the problem of poor financial reporting of central and local government agencies in Indonesia to examine the factors that affect the quality of financial reporting in this case the internal control auditor and the competence of local government officials Bekasi Regency.

The financial statements basically an information is an end product of the process of accounting as an ingredient in making decisions (Gibson, 2009: 1). According Mahmudi (2011: 143), the financial statements is the output of the accounting system useful for providing information to the parties will make such financial information as a basis for decision making. The financial statements other than as a means to provide financial information also serves as a means of accountability and performance evaluation of financial performance in particular. According to Indra Bastian (2010: 297), the main purpose of financial reporting is to provide information regarding the financial position, performance and cash flows of an entity that is useful for a number of users for making and evaluating decisions about the allocation of resources used by an entity in its activities to achieve the goal , In order to meet the government's financial statements desired quality it is necessary normative preconditions. The qualitative characteristics of financial statements is a normative measures that need to be realized in the accounting information so that it can fulfill its purpose. (Kieso, et al., 2012: 48).

The financial statements are qualified to fulfill four qualitative characteristics that are the hallmark that makes information useful to the financial statements pengguna. Keempat these characteristics are understandable, relevant, reliability, and can be compared. Opinion quality financial reporting is a financial reporting that produce useful information for its users, and meets the quality characteristics of the financial information is relevant, reliable, comparable, and understandable. (Belkaoui, 2010). Government Accounting Standards state that the qualitative characteristics necessary for the government's financial statements can be qualified is to meet the desired quality is relevant, reliable, comparable and understandable (No. 01 (PP No. 71 of 2010).

Internal control is a process that is influenced by the board of directors, management and other personnel designed to provide reasonable assurance of achieving the objectives related to operations, reporting and compliance (COSO, 2009). According to Warren Reeve Fess in Farahmita Aria et al (2005), internal control (internal control) are policies and procedures that protect company assets from misuse, ensure that the information presented is accurate and efforts to ensure that laws and regulations are followed. According to Albert, et. al., (2010), a system of effective internal control is supported by the five elements that make up the internal control structure, namely: (1) environmental control (control environment), (2) risk assessment (risk assessment), (3) control activities (control activities), (4) information and communication (information and communication) and (5) monitoring (monitoring). Competence is the knowledge (knowledge), skills (skills), attitude (attitudes) and experience (experience) (Cheng et al., 2002; Jackson et al., 2011; Gupta, 2011). Definition of competence in a broad sense includes three domains, namely: cognitive (knowledge / knowledge), affective includes ethical, emotional and spiritual intelligence (attitudes and behavior / attitude) and psychomotor (skills / skills). Competence is the knowledge, skills, attitudes and behavior and experience needed by a person to be able to carry out a job or profession well.

Financial reporting quality issues is supported by the existence of an effective internal control which is the responsibility of management as well as the statement of the International Public Sector Accounting Standards Board (IPSASB) 2013. Everyone in an organization has responsibility for the effectiveness of internal control (Rittenberg, Johnstone & Gramling, 2012). The linkage between an effective internal control and the competence of government officials in supporting the quality of financial reporting is supported by theory and the results of previous research empirically. (Bodnar and Hopwood, 1998; Boockholdt, 1999; Narayanaswamy, 2011; Weygandt, Kimmel & Kieso. 2011; Gelinas, Ulric; Dull, Richard; Wheeler, Patrick, 2011). Some of the results of previous studies that support the relationship between the effectiveness of the internal control system and the competence of government officials, among others Qiu Xiao, (2011); Mihaela & Julian, (2012); Nuryanto and Afiah, (2013).

Internal control auditor used by management to exercise control over accounting processes in order to achieve business goals. Thus the success or failure of an organization specifically indicated by the reliability of financial reporting is essentially based on the effectiveness of internal control, among others Wittayapoom, et. al., (2011); Ingram and Albright (2007); Rezaee & Riley, (2010); Young, (2012); Maher, Stickney & Weil, (2012); Skaife, Collins, Kinney, (2007); Wittayapoom & Limsuwan, (2011); Emmanuel, Oseifuah, Gyekye, (2013).

While the importance of internal auditors on financial reporting in order to realize the quality of financial reporting also stated by Agam (2006), Rittenberg (2007), Michelman (2008), Olach (2009), Elbannan (2009), and the COSO (2009) which states that for generate financial reports required of local government processes and stages that must be passed that stipulated in the local government Accounting System (SAKIP). Based on theory and research results related to establishing a premise which shows that the effectiveness of internal controls affect the quality of financial reporting. Competence is one of the qualifications that should be possessed by the human resources. Internal auditors in performing its duties and its role, should have a background in accounting and professional expertise in the field of certification, for example in the field of accounting, which is a characteristic that symbolizes the competence of the government apparatus. Williams, Haka, and Bettner, (2005); Rezaee, (2007); Williams, et al. (2011); Wahlen, Jones, and Pagach, (2012); COSO in Marchetti, (2012). Based on the results of previous studies supporting the influence of the competence of government officials to the quality of financial reporting, among others: Hongjiang et al. (2003); Setiyawati, (2013); Gil Gras, Esther, Salvador Martin Hernandez, Domino de Lema, (2012); K. Johl, Shireenjit .., Kaur Johl, Satirenjit., Subramaniam, Nava., And Cooper, Barry., (2013).

RESEARCH METHODS

The object of research in the study

This study is the Internal Control Auditor, Competence Regional Government Agencies and Quality of Financial Reporting. The method used in this research is descriptive and associative causal using explanatory survey. The survey was conducted to collect data through written questions and structured for the Control of Internal Auditor, Competence Regional Government Agencies and Quality of Financial Reporting to employees working units (SKPD) Bekasi District Government as respondents. Free or independent variable in

this study is the Internal Control Auditor and competence of Regional Government Agencies (X). Internal control is a process that is influenced by the board of directors, management and other personnel designed to provide reasonable assurance of achieving the objectives related to operations, reporting and compliance (COSO, 2009). Competence is the knowledge (knowledge), skills (skills), attitude (attitudes) and experience (experience) (Cheng et al., 2002; Jackson et al., 2011; Gupta, 2011). Bound or dependent variable is the quality of financial reporting (Y) and the accountability of government performance (Z). The operational definition of variables in this study are: Quality of Financial Reporting.

Variable Control of Internal Auditors (PIN) consists of seven dimensions or factors remain latent (unobservable), spelled out in the 43 points listed in the questionnaire. Thus, the validity and reliability testing using techniques CONSTRUCTS second order confirmatory factor analysis. Seven of these dimensions is the Environmental Control (LK), Risk Assessment (RS), Control Activities (AP), Information and Communication (IK), Monitoring (PT), Competence Internal Auditor (KM) and Objectivity Internal Auditor (OB). Variables measured internal auditor competence of instruments Cheng et al., (2002) which was then developed by Nur Afiah (2004) and has been tested for validity and reliability. Variable Competence Apparatus (KMA) is composed of three dimensions remain latent (unobservable), translated into eight points listed in the questionnaire. Thus, the validity and reliability testing using techniques CONSTRUCTS second order confirmatory factor analysis. Three factors are Knowledge (PG), Skills (KT) and Attitude (SK). The purpose of financial reporting is to provide financial information that is useful for the interested parties in making decisions. That the information was helpful then that information should be qualified (Norton et al., 2007; Nikolai et al., 2010; Kieso et al., 2011). According to the Government Accounting Conceptual Framework (Government Regulation No. 24 of 2005) criteria and consists of (1) is relevant; (2) reliably; (3) can be compared; and (4) can be understood. The understanding of each of these dimensions are: (1) the relevant (relevance) denoted by RN means that information can influence the decision of users by helping them evaluate the events of the past or the present and predict the future and confirms or corrects the evaluation results they in future then. Relevant information has predictive value (predictive value), have the benefit of feedback (feedback value) and timely (timeliness); (2) reliable (reliability) (AD) means that the information in the financial statements are free from the notion of misleading and material errors. The information that reliably meets these characteristics: can diverifikasi (verifiability), objective and honest presentation (faithful representation); (3) were comparable (comparability) (BD) means that the information in the financial statements would be more useful if it can be compared with prior year financial statements or other reporting entity's financial statements in general; (4) can be understood (understandability) (PH) means that the information in the financial statements can be understood by users and is expressed in the form and terms that are adapted to the understanding of the users. To that end users are assumed to have sufficient knowledge of the activities and operating environment reporting entity.

The study population was working units (SKPD) Bekasi District Government. Election-related financial staff as respondents of the target population is caused in performing his daily duties, they are directly involved in the financial reporting process, so it will affect the quality produce accounting information that will ultimately have an impact on the accountability of each SKPD. Total target population in this study was 48 SKPD, so everything sampled. Thus the target population in this study as well as the sample is working units (SKPD), which includes the area, local agencies, local technical institute and a regional hospital in the city

government / district / province by using sampling techniques saturated samples (census) , The population in this study population according to type is limited and by their nature constitute a homogeneous population. The population used in this study were all employees of the SKPD in Bekasi District Government.

To qualify the number of samples that must be met if using SEM (Structural Equation Model) is at least 200 observations. Questionnaires as a good instrument must meet two requirements are valid means of measuring instruments used have validity and reliable means of measuring instruments used to measure what is supposed to be a measuring function or reliable. Testing the validity and reliability meant that the conclusion of the study is not wrong and do not give a much different picture of the actual situation. In each latent variable SEM usually have some size or observed variables (indicators). Measurement model model the relationship between the latent variables to variables observed (observed / measured variables). Confirmatory factor analysis or Confirmatory Factor Analysis (CFA) is a measurement model analysis. An evaluation of the validity of the item (item) will be done through a phase of measuring the level of the first (1st CFA) first, then 2nd CFA for the whole construct has a measurement model two levels of second order CFA and first-order CFA, further scoring latent variables (latent variable scores / LVS) for a full analysis of the model. In regression analysis, testing the F-statistics and t-statistics. F test is done to determine whether there is influence of all independent variables on the dependent variable. The t-test is a test of individual regression coefficients to determine the ability of each independent variable on the dependent variable.

ANALYSIS AND DISCUSSION

After a confirmatory factor analysis or Confirmatory Factor Analysis (CFA) is a measurement model analysis. An evaluation of the validity of the item (item) will be done through a phase of measuring the level of the first (1st CFA) first, then 2nd CFA for the whole construct has two measurement models CFA level of second order and first-order CFA. Subsequent analysis is the analysis of Structural Equation Model (SEM), after the analysis of previously obtained a good model fit. Analysis of the data processing at the stage of full model SEM conducted to test the suitability and statistical tests. As explained earlier, the approach analyzes were performed using two-step approach in which the first phase is done by testing the model fit CFA, validity and reliability of the overall variable. Having obtained a model that can be accepted, ie having a fit of the data models, validity and reliability are good, then the SEM analysis. As follows:

- 1). Normality in the SEM is a requirement to do a test with maximum likelihood estimator (MLE). Data normality test for normality done either single or multivariate normality, where multiple variables are used simultaneously in the final analysis.

Tabel 1: Uji Normalitas Data

Test of Univariate Normality for Continuous Variables

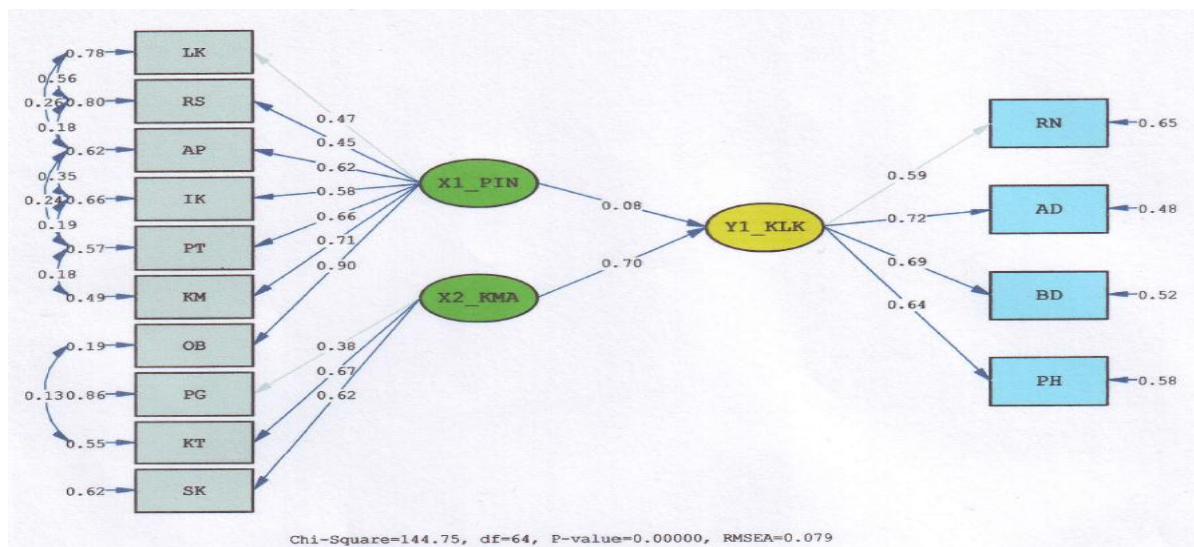
Variable	Skewness		Kurtosis		Skewness and Kurtosis	
	Z-Score	P-Value	Z-Score	P-Value	Z-Score	P-Value
LK	0,053	0,958	-0,026	0,979	0,003	0,998
RS	0,521	0,602	-1,357	0,175	1,114	0,908
AP	0,081	0,936	-0,085	0,932	0,014	0,993
IK	-1,880	0,060	-2,309	0,021	1,864	0,052
PT	-1,504	0,133	-2,421	0,015	1,123	0,217
KM	-1,014	0,311	-1,753	0,080	1,101	0,129
OB	-0,023	0,982	-0,197	0,844	0,039	0,981
PG	-2,225	0,026	-2,145	0,062	1,552	0,358
KT	-1,388	0,165	-1,663	0,096	1,693	0,096
SK	-1,251	0,211	-1,820	0,069	1,879	0,087
RN	-0,555	0,579	-1,108	0,268	1,535	0,464
AD	-1,578	0,115	-2,019	0,043	0,567	0,738
BD	-1,951	0,051	-2,785	0,075	1,563	0,803
PH	-0,474	0,635	-0,981	0,327	1,187	0,552

Source: Data processed

Detection of outliers conducted with respect to a Z-score of any data . The criteria used for the real level of $\alpha = 0:05$ is if the Z-score > 1.96 and p - value < 0.05 then the data is expressed not normally distributed . While the value of Z - score < 1.96 and p - value > 0.05 then the data is expressed normally distributed . In Table 1 shows Skewness , Kurtosis and Skewness and kurtosis all data has a value of Z - score < 1.96 and p-value > 0.05 then all the data are normally distributed .

Estimated Full Model

At this stage the results of the SEM analysis presented in the form of the track diagram as follows :

**Figure 1 : Diagram Model Full Tracks**

Evaluate the value of goodness of fit of structural models that have been made as in Figure 1 above , a summary is presented in the following table :

Tabel 2: Goodness of fit Index Full Model

GoFI Statistics	Hasil Model	Kriteria
χ^2/df (P)	167.00/65 (0.000)	bad fit
GFI ; AGFI	0.91; 0.85	good fit
CFI; IFI	0.96; 0.96	good fit
RMSEA	0.077	good fit
NFI; RFI	0.94; 0.92	good fit

Source : Data processed

Based on Table 2 above were obtained objective estimation showed that almost all parameters are already qualified model fit goodness of fit unless the p-value Chi - Square is at the level of bad fit. In Figure 1 above shows the path coefficient between the endogenous exogenous variables in the full model . Equation path exogenous variables , endogenous and dimensions that make up the variables presented in the Standardized Solutions as follows :

Table 3 : Variable Path coefficient X

LAMBDA-X		
Dimensi	X1_PIN	X2_KMA
LK	0,47	--
RS	0,45	--
AP	0,62	--
IK	0,58	--
PT	0,66	--
KM	0,71	--
OB	0,90	--
PG	--	0,38
KT	--	0,67
SK	--	0,62

Source : Output LISREL 8.80

Table 4 : Coefficient Variable Line Y

LAMBDA-Y	
Dimensi	KLK
RN	0,59
AD	0,72
BD	0,69
PH	0,64

Source : Output LISREL 8.80

Evaluate the value of goodness of fit of the structural model of the Standardized Solutions, a summary is presented in the following table :

Tabel 5 : Goodness of fit Index Full Model

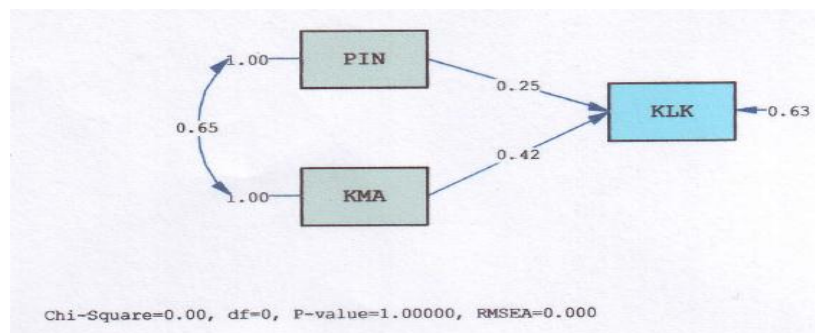
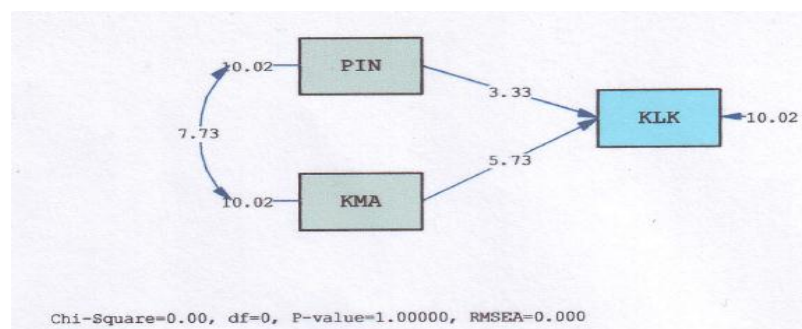
GOFI Statistics	Hasil Model	Kriteria
χ^2 / df (p)/	159,32/64 (0.000)	bad fit
GFI	0,91	good fit
CFI;	0,96	good fit
IFI	0,96	good fit
RMSEA	0,079	good fit
NFI;	0,94	good fit
RFI;	0,92	good fit
AGFI	0,85	Marginal fit

Source : Data processed

Based on the results of the analysis are presented in Table 5 criteria for a good fit models except the Chi square value of 159.32 with $df = 64$; probability value of 0.000 indicates the criteria bad fit. Goodness of fit criteria while others suggest criteria Index good fit and marginal fit is a good fitness model . So overall good models already stated .

Full Path Analysis Model

In the full path analysis model using Latent Variable Score (Latent Variable Score = LVS) . From the test results above model obtained by the model parameter estimates (coefficient) model that can explain the relationship of the structural model .

**Figure 2 : Diagram Tracks Full Line Structural Model (Standardized Solution)****Figure 3 : Diagram Significance Tracks Full Line Structural Model (Statistics - t)**

Based on the results of model estimation path diagram in Figure 2 and 3 , can be arranged in a structural equation Standardized Solutions for the study variables as follows :

$$\text{KLK} = 0.25 \cdot \text{PIN} + 0.42 \cdot \text{KMA}, \text{Errorvar.} = 0.63, R^2 = 0.372$$

se	(0.027)	(0.12)	(0.22)
t	3.33	5.73	10.02

Significance Partial (Test Statistic - t)

Table 6 : Results of Partial Hypothesis Testing (t-test)

Relationship	Koefisien jalur (β)	t-tabel	t-hitung	Decision
H1: PIN $\rightarrow$ KLK	0,25	1,97	3,33	$t_{\text{hitung}} > t_{\text{tabel}}$; H1 be accepted
H2: KMA $\rightarrow$ KLK	0,42	1,97	5,73	$ t_{\text{arithmetik}} > t_{\text{tabel}}$; H2 be accepted

Source : Data processed researchers

Testing the hypothesis that reflects the causality model SEM is basically testing the significance of the path coefficients (path coefficient) or a Beta coefficient , it was determined that H_0 is rejected if obtained $t_{\text{value}} > t_{\text{table}}$ at $\alpha = 1.97$ and $df = 5\% : nk - 1 = 204 - 3 - 1 = 200$ = mean significant influence and the research hypothesis (alternative hypothesis) is proven . It gives meaning and effect of the Internal Control Apparatus Competency partially on Quality of Financial Reporting significantly thereby H1 and H2 is accepted or proven .

Significance Simultaneous Test (Test Statistic - F)

Table 6 : Test Results Effect of PIN and KMA against KLK

Variabel Laten Eksogen	Koefisien Determinasi (R^2)	F-tabel	F-hitung	Decesion
Internal Control and Competence Apparatus (together)	0,372	3,04	59,648	F - count > F - table . H_0 rejected. H3 accepted

Imformation: F-tabel = 3,04 pada $\alpha=5\%$ dan df: db1:k=2 ; db2:n-k-1=204-2-

Source : Data processed researchers

In Table 4:24 shows the effect of the Internal Control and Competence Apparatus together on the Quality of Financial Reporting, with the F-count equal to $59.648 > F\text{-table} = 3.04$, it gives meaning and effect of Internal Control Auditor Competency Apparatus together on the Quality of Financial Reporting significant with a coefficient of determination of 37.2%. Thus H3 is accepted or proven.

CONCLUSIONS AND RECOMMENDATIONS

After analyzing the first order confirmation Factor Analysis, Factor Analysis second order confirmation and estimated using structural equation modeling (SEM) and hypothesis testing, gives the following results:

1. Internal Control Auditor proved positive and significant effect on the Quality of Financial Reporting with statistical values $t = 3.33$ with a coefficient of 0.25 dimension lines or internal control factors is the dominant auditor Objectivity Internal Auditor, while the dimensions or factors Quality of Financial Reporting dominant is reliability. Because the value of $t > t\text{-table} = 1.97$, then the results of this test indicate the hypothesis H1 is accepted.
2. Competence of Regional Government Agencies proved positive and significant effect on the Quality of Financial Reporting with a value of $t = 5.73$ and the path coefficient of 0.42 with dimensions or factors is the dominant Apparatus Competency Skills. While the dimensions or factors Quality of Financial Reporting is the dominant reliability. Because the value of $t > t\text{-table} = 1.97$ then the results of this test indicate the hypothesis H2 is accepted.

Competency Internal Control Auditor and Regional Government Agencies together proved to be a significant effect on Quality of Financial Reporting with F value of $59.648 > F\text{-table} = 3.04$ with a coefficient of determination R^2 value of 0.372 . Meaning Internal Control Auditor and Competence Regional Government Agencies jointly have contributed in explaining Financial Reporting Quality of 37.2 % , so the magnitude of the effect of other variables not studied was 62.8 % . Dimensions or factors Internal Control Auditor dominant Objectivity Internal Auditor ; dimension or competence factor Regional Government Agencies dominant skills , while the dimensions or factors Quality of Financial Reporting dominant Reliability . Because the value of F count $> F\text{-table}$ then the results of this test showed acceptable hypothesis H3.

Based on the analysis and hypothesis testing in this study, it is found that the contribution of the Internal Control Auditor and Competence Regional Government Agencies jointly on the Quality of Financial Reporting of 37.2%. It shows that 62.8% is explained by other variables, meaning that other variables not examined more dominant in explaining the variability of Quality Financial Reporting. Internal control purposes one of which is to check the accuracy and reliability of accounting data. With internal accounting controls, the risk of errors and recording errors or calculation can be minimized, thereby reducing the possibility of local governments had a mistake. An internal quality control, designed, built and can work well if parts are integrated with the system operating in accordance with the duties and

responsibilities of each. One part of the accounting information which support the work of the accounting information system is the internal control (internal control). With the adoption of internal control, then the accounting system will produce a higher quality of accounting information (timely, relevant, accurate, and complete), and auditable (auditabel).

Apparatus competence is the ability to possess someone apparatus in the form of knowledge, skills, and attitudes required in the implementation tugasnya. The ability of competent human resources to financial management course will improve the quality of financial reports on education. State Finances shall be managed by a competent state apparatus in order, obey the laws and regulations, efficient, economical, effective, transparent and accountable with regard to justice and propriety as a prerequisite for the successful implementation of State administration. To achieve these conditions, an agency may also require a strong internal control system and the role of internal audit to achieve the objectives of an organization. In order to improve the quality of Local Government Financial Reporting, local governments must constantly improve control activities taking into account the spillway task systematically to a number of people to leave their belief in checks and balances. Supervisory authorities (Regional Inspectorate) should be more effective in fostering such control routine in Bekasi regency government environment.

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