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**The Analysis of Human Resources Policies and  
Regional Financial Accounting System on Regional  
Government Financial Statements' Quality**

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**Abstract**

Accountability of local governments in the implementation of policies should be presented in the quality of financial statements. Government Regulation No. 24 Year 2005 describes the characteristics of financial statement as a normative measurement that reflects accounting information to fulfil its purpose to be relevant, comparable and understandable. This study uses the regional finance manager (PPKD)–regional work unit (SKPD) in Karesidenan Pati Indonesia as the population consisting of 6 districts, such as, Jepara, Kudus, Pati, Rembang, Blora and Grobogan with the total of 113 SKPD. By using random sampling technique, 73 respondents are chosen. This study uses multiple regression analysis in analysing its data. The result show that human resource policies have an effect on the quality of region financial statement; implementation of regional financial accounting system also has an effect on the quality of region financial statement; but, this study cannot prove the audit of Indonesian Supreme Audit Institution (BPK) as a moderating variable in the relationship among human resource policies and implementation of regional financial accounting system on the quality of region financial statement.

**Keywords:** human resources policies, regional financial accounting system, quality of region financial statement

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## **INTRODUCTION**

Article 31 of Act of Republic Indonesia Number 17 Year 2003 about State Finances stated that Governors/Regents/Mayors submit a draft of local regulation concerning accountability of implementation regional budget to the Council in the form of financial statements. The financial statements are concerned to be a media for government accountability of their performances to public about their regional budget implementation during their leadership. Therefore, the regional government should be able to present qualified information of their financial statements. According to Governmental Accounting Standard, the quality of financial statements should require these characteristics: relevance, reliability, comparability, and understandable.

Financial statement is the output that resulted from business transaction in which the processes have been working by human, so in presenting the qualified regional financial statements require the competent human resources who are understand about governmental accounting, regional finances, and governmental organization. This statement is corresponding with Chenhall (2004) study which is stated that the implementation of accounting system is indispensable of human resources policies.

Generally, the quality of financial statements related to the opinion of the fairness of financial statements issued by auditor. In the government, the institution who has the right to disclose the opinion of financial statements' fairness is Indonesia Supreme Audit Institution (BPK). The local governments, which have the unqualified audit opinion (WTP), is considered as having the good governance and can manage their regional states properly. Therefore, it is necessary to do research on the whether the human resources policies has an effect on the quality of regional financial statement, whether the implementation of regional financial accounting system has an effect on the quality of regional financial statement, whether the audit of BPK can strengthens or weakens the influence of human resources policies on quality of regional financial statement, and whether the audit of BPK can strengthens or weakens the influence of implementation of regional financial accounting system on quality of regional financial statement.

Based on these problems, this study aims to examine empirically the effect of human resources policies and implementation of regional financial accounting system on the quality of regional financial statement. This study also examines empirically the audit of BPK as a moderating variable in the relationship among human resource policies and implementation of regional financial accounting system on the quality of financial statement.

## **LITERATURE REVIEW**

### **Theoretical Framework**

#### **Quality of Regional Financial Statement**

According to Regulation of the Minister of Home Affairs (Permendagri) No. 13 Year 2006, regional financial statements are financial statements prepared to

provide relevant information on the financial position and all transactions conducted by the local government during a reporting period. Regional financial statements contain information that has a very important meaning for the wearer (Rasdianto, 2013). Therefore, the regional financial statements should be quality so that the information presented can be used by users as a reference in making the right decision.

Information that is presented in financial statement has the important meaning and intention for the stakeholders. The regional financial statement must present qualified financial statement absolutely in order to be used as references for decision making. The qualitative characteristic of financial statement is explained in Government Regulation (PP) No. 71 Year 2010 which is stated that the qualitative financial statements is the normative measures which is needed to be manifested in accounting information in charge of complying the objective of financial statements. In charge of complying the normative precondition, the following characteristic is required to comply the quality of government financial statement:

a. Relevance

The relevance of financial statement is about connecting the contained information to the users in affecting them to evaluate the past or present and forecast the future condition with emphasizing the audit result in the past. Therefore, the relevance information can be connected the users' intention. The information could be relevance if it complies the following requirement:

- a) Feedback value, the information is possible to emphasize the tools to evaluate their past expectation.
- b) Predictive value, the information could help the user to forecast the future result according to past and present event.
- c) Completeness, the government accounting information is presented as complete as can is considered to cover up all the accounting information which can affect the decision-making. The background information for every information must present it clearly and avoid misleading of the information.

b. Reliability

The contained information in financial statement is independent from misleading information and material misstatement, presenting the fact fairly, and it could be verified. Maybe the information is relevance, but if the information is unreliable presented, so the information has the potential to be mislead. The reliable information has the characteristics as follow:

- a) Faithful representation, the information describes the real transaction that happened or expects to be faithfully represented.
- b) Verifiability, the presented information in financial statement is verifiable, and when information is verified more than once by different parties, the results remain more or less different along with the conclusion.
- c) Neutrality, information is allocated to general interest and the information is independent from particular parties.

c. Comparability

The information which is contained in financial statement will be more useful if the information can be compared with previous financial statement or other entities' financial statement. Comparison can be worked internally and externally. Entities can do the comparison if the entities implement the same accounting policies from years to years. Besides, the external comparison can be worked if other entities implement the same accounting policies with our entity. If the governments' entities will implement the better accounting policies than the current one, the change should be disclosed in the period that the change was happened.

d. Understandability

The presented information in financial statement could be understand by the users and should be stated in line of users' understanding. Therefore, the users are assumed to have the adequate knowledge of the activities and the operational environment of reporting entity, and there is a determination desire of users to learn about the presented information.

### **Implementation of Regional Financial Accounting System**

Accounting is a service activity to provide information needed for decision making. In the public sector decision-making related to decisions both on the economic, social and political sectors. In the management of state and region finances, the government requires an accounting system for fund management, increasingly large and diverse economic transactions. The regional financial accounting system is a process of identifying, measuring, recording and reporting economic transactions (financial) of local government entities that are used as information in order to take economic decisions by parties requiring (Halim and Kusufi, 2012). Regulation of the Minister of Home Affairs (Permendagri) No. 13 Year 2006 stated that the regional financial accounting system is a series of data collection, recording, summary, up to financial reporting in order to account for the implementation of Regional Revenue Budgets (APBD) that can be done manually or using a computer.

Accounting can be implemented manually or along with special designed program to present the output in the form of financial statements. Accounting is the system, and system itself is a set of subsystem or a set of subordinate things, which are interconnected between each system in working of particular objectives. In a system, there is an input, which will be processed to be an output. The input of accounting system is transaction evidences in form of file and document. And the output is financial statements. Therefore, regional financial accounting system consist of processes or procedures, which are started from transaction recording, classification, and transaction summarizing and/or business events or financial reporting in charge of accountability in local government budget.

The stages of accounting cycle are started from business transaction evidence, journalizing, posting to the ledger, creating trial balance sheet, adjusting journal, arranging balance sheet, presenting the financial statement, closing entries and

balance sheet after closing entries. According to the accounting cycle, financial statement presented after presenting balance sheet, and after presenting the adjusting entries by collecting data from adjusted balance sheet. The regional government financial statements according to Government Regulation No. 24 Year 2005 are consisted of Balance Sheet, Report of Budget Realization, Statement of Cash Flow, and Note of Financial Statement. Meanwhile, according to Government Regulation No. 71 Year 2010, regional government financial statement consisting of those four financial statement, Operational Statement, and Statement of Changes in Equity.

Currently, preparation and presenting the regional government financial statement is still referring to Government Regulation No. 24 Year 2005 about Government Accounting Standard (SAP) because Government Regulation No. 71 Year 2010 will be applied in 2014. Regional Finance Management is regulated in Government Regulation No. 58 Year 2005 in article No. 97 and Regulation of the Minister of Home Affairs (Permendagri) No. 13 Year 2006 in article No. 239, as modified to Permendagri No. 59 Year 2007 than Permendagri No. 21 Year 2011 about Regional Finance Management Guidelines. In obeying the administration orderly, Governors/Regents/Mayors issued the Regulation of Regional Head about Regional Governmental Accounting in referring to Government Accounting Standard along with Permendagri No. 59 Year 2007 do not regulate the change of Article No. 239 of Permendagri No. 13 Year 2006. Furthermore, according to Article 308 and 309 of Permendagri No. 13 Year 2006, as modified to Permendagri No. 59 Year 2007 about Regional Finance Management Guidelines. Accounting System is indispensable to guarantee the consistency of financial reporting (Hendriksen and Widjajant, 2006). In research of Rahman (2009), the implementation of governmental accounting system is proven about regional government performances, the implementation gives the value and accessible to regional government in realizing the transparency and accountability of regional finance management. It's corresponding to (Jones and Pendlebury, 2000; Hendriksen and Widjajant, 2006)

Government Regulation No. 58 Year 2005 about Regional Finance Management, is one of the operational in implementation the regional autonomous, after the good governance reformation era of state/region which is epitome with legalization of law package about state finance. Government Regulation No. 58 Year 2005 Article No. 54, "Further Stipulation on regional finance management be regulated Permendagri No. 13 Year 2006, as replacement of Minister of Home Affairs Decree (Kepmendagri) No. 29 Year 2002 about Guidelines for the Management of Accountability and Regional Financial Supervision, and Permendagri No. 13 Year 2006 is the guidelines for regional governments in performing their good governance. The regions should compose their implementation rule which is adapted with condition and regional characteristic, in form of regional regulation about Principles of Regional Financial Management and other Regulation of Regional Head related to the implementation. There is some cause the change of Kepmendagri No. 29 Year 2002 to Permendagri No. 13 Year 2006 which is centralisation to decentralisation.

### **The audit of Indonesian Supreme Audit Institution (BPK)**

In running the wheels of government, all of the decrees and regulations which have been performance in implement good governance and clean governance. In implementation, it is assumed that the bigger of local government, so the more resources are needed to serve people in provinces/cities/districts which are expected in increasing the regional government performances. On the other hand, the regional government characteristic also can be evaluated from regional government expenditures which are adjusted from the income side. The more expenditures of regional government, the more expected services to be served by regional government to people in provinces/cities/districts, so there will be increasing of regional government performances. Mustikarini and Fitriasari (2002) stated that the four compulsory characteristics in regional government financial statement to be audited by Indonesia Supreme Audit Institution. Audit of Indonesia Supreme Audit Institution is consisted of financial audit, budget audit and purposed audit where as one of the result is audit finding. The more audit findings, it indicates that the financial management of regional government which is one of the component in Regional Government Financial Statements (LKPD), is less trusted which resulted in regional government performances.

Indonesia Supreme Audit Institution is Indonesia high state body which is responsible for evaluation of management and accountability of Republic of Indonesia. Indonesia Supreme Audit Institution has representative offices located in 33 provinces in Indonesia. Indonesia Supreme Audit Institution is independent body to give responsibility of their audit report to Indonesia House of Representatives (DPR RI), Regional Representative Council (DPD), and Regional People's Representative Assembly (DPRD) as the representative of Indonesia People. The scope of audit of Indonesia Supreme Audit Institution is regulated in Law No. 15 Year 2004 about The State Financial Management and Accountability Audit Article 4, stated that the audit shall consist of financial audit, performance inspection and audit with specific purposes. The audit which is done by Indonesia Supreme Audit Institution is based on audit standard consisted of general standards, standards of field work, and standards of reporting that will be guidelines for Indonesia Supreme Audit Institution as Indonesia Audit Board.

### **Research Hypothesis**

#### **Human Resources Policies and The Quality of Region Financial Statement**

Human resource policies are a government policies related to the determination of norms, standards, procedures, formation, appointment, development of human resources quality, transfer, salary, allowances, welfare, dismissal, rights, obligations and legal status (Law No. 43 Year 1999). According to Wollis and Dollery (2005) stated that policy is shaped by a leadership style that leads to disappointment in the general policy system and produces a receptive climate for changes in leadership style. This will have an impact on the human resources behaviour of an organization. Human resources behavioural factors during system implementation will improve the usefulness of the system

(Chenhall, 2004). It is seen that human resources policies are very important necessary in the application of accounting system to support the quality of financial statement. Therefore, the first hypothesis in this study states that:

H<sub>1</sub> : Human resource policies have an effect on the quality of region financial statement

### **Implementation of Regional Financial Accounting System and The Quality of Region Financial Statement**

The accounting system is an entity which, when applied or there is one part that is not applied, it is difficult to obtain qualitative characteristics of local government financial statements in accordance with public accounting standards (Nurillah and Muid, 2014). Region government financial statements as a form of accountability for budget implementation of local government budget (APBD) should be prepared or produced from a reliable local government accounting system, which is usually done manually or using computer applications. To produce relevant financial statements, reliably and reliably the government must have a reliable accounting system. A weak accounting system will cause the resulting financial statements to be less reliable and less relevant for decision making (Mardiasmo, 2009).

The regional financial accounting system is considered more beneficial in providing more complete information, which will support the local government when producing a quality financial report with applicable government accounting standards. This is in line with the research Roviyantie (2012) which states that the application of local financial accounting system affects the quality of region government financial statements. Therefore, the second hypothesis in this study states that:

H<sub>2</sub> : Implementation of regional financial accounting system has an effect on the quality of region financial statement

### **Human Resources Policies, The Quality of Region Financial Statement, and Audit of Indonesian Supreme Audit Institution**

Audit opinion of Indonesian Supreme Audit Institution is cases found by Indonesian Supreme Audit Institution to the financial report of Regional Government for violation done by a region to internal control provision and to applicable laws and regulations. Increasingly violations committed by local governments illustrate the worsening performance of the local government. In other words, the higher of audit findings, the lower of performance of a local government. It is seen that with the audit of Indonesian Supreme Audit Institution, the government will make the human resources policies that can enhance the quality of financial statements. So that audit of Indonesian Supreme Audit Institution can moderate the relationship between human resources policies and the quality of region government financial statements. Therefore, the third hypothesis in this study states that:

H<sub>3</sub> : Human resource policies have an effect on the quality of region financial statement that is moderated by audit of Indonesian Supreme Audit Institution

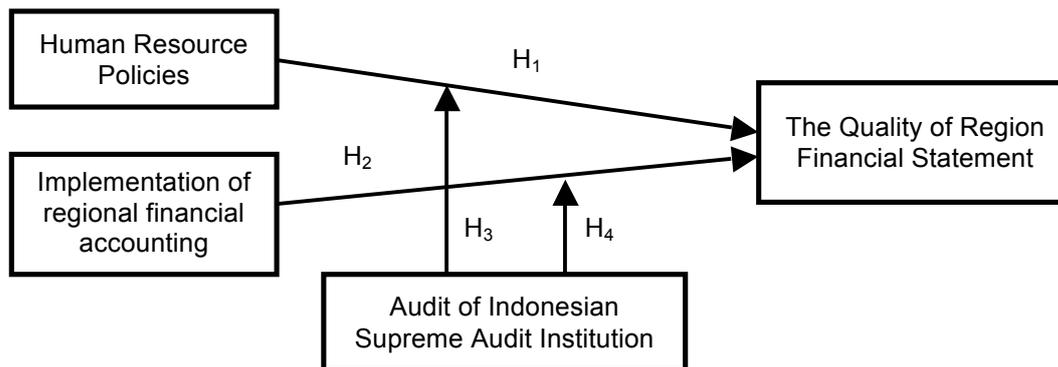
### **Implementation of Regional Financial Accounting System, The Quality of Region Financial Statement, and Audit of Indonesian Supreme Audit Institution**

Implementation of a good accounting system can contribute to produce a qualified local government financial report marked by minimizing recording errors, fraud, non-compliance with the law and ultimately embodied by the opinion of the Financial Audit Board (BPK), as well as meeting the relevant quality criteria, reliable, reliable and comparable (Patra, et al. 2015). It is seen that with the audit of Indonesian Supreme Audit Institution, the government will try to apply the financial accounting system well to get quality financial report. So that audit of Indonesian Supreme Audit Institution can moderate implementation of regional financial accounting system on the quality of region government financial statements. Therefore, the fourth hypothesis in this study states that:

H<sub>4</sub> : Implementation of regional financial accounting system has an effect on the quality of region financial statement that is moderated by audit of Indonesian Supreme Audit Institution

### **Research Model**

**Figure 1. Research Model**



Financial statement as the accountability of the entity in doing their organizational operation of a certain period must have the qualities that is applied in laws. Regional Government Financial Statement (LKPD) as it is accorded with Government Accounting Standards, it could be considered as qualified financial statement if it requires the four main characteristic of financial statement. Financial statements as the output need human resources to implement and in presenting qualified the regional financial statement. As well with human resources, the accounting system assists to present qualified financial statement. The external audit factor also as the factor to measure the

successful in the implementation of regional financial management. As there is the compulsory of audit external in doing by Indonesian Supreme Audit Institution, it could increase the human resources policies and the implementation of regional accounting system maximally in presenting qualified regional financial statement.

## METHODS

### Research Design

The research data were collected through hand delivery survey. This study uses the regional finance manager (PPKD)–regional work unit (SKPD) in Karesidenan Pati Indonesia as the population which consisting of 6 districts, such as, Jepara, Kudus, Pati, Rembang, Blora and Grobogan with the total of 113 SKPD. The sampling method of this research is Simple Random Sampling, with the margin error about 5% of representative selected sampling that is according to Isaac and Michael (Sugiyono, 2014). The principle in sampling selection is each elements of the population have equal opportunities to be selected (Kuncoro, 2009). By using random sampling technique, 73 respondents are chosen as sample for this research. The research variables are shown in Table 1.

**Table 1. Research Variables**

Variables	Definition	Indicator	Scale
Human resource policies ( $X_1$ )	Human resource policies which include setting norms, standards, procedures, formations, appointments, development of human resources quality, removal, payroll, allowance, welfare, dismissal, rights, obligations and legal position (Law No. 43 Year 1999)	<ol style="list-style-type: none"> <li>1) Setting norms</li> <li>2) Standards</li> <li>3) Procedures</li> <li>4) Formations</li> <li>5) Appointments</li> <li>6) Development of Human Resource Quality</li> <li>7) Removal of human resource</li> <li>8) Payroll</li> <li>9) Allowance</li> <li>10) Welfare</li> <li>11) Dismissal</li> <li>12) Rights and Obligations</li> <li>13) Legal Position</li> </ol>	Likert
Implementation of regional financial accounting system ( $X_2$ )	Application of the accounting system which includes the process of recording, classification, interpretation, summary of transactions, or financial events and financial reporting in the framework of implementation of the budget, implemented in accordance with accounting principles generally acceptable". (Minister of Home Affairs Decree No. 29 Year 2002)	<ol style="list-style-type: none"> <li>1) Identification</li> <li>2) Classification</li> <li>3) The control system to ensure reliability</li> <li>4) Calculate the respective effect of the operation</li> </ol>	Likert

The Quality of Region Financial Statement (Y)	The measures necessary normative embodied in accounting information so that it can fulfil its purpose. (Government Regulation No. 71 Year 2010)	1) Relevance 2) Reliability 3) Comparability 4) Understandability	Likert
Audit of Indonesian Supreme Audit Institution (Z)	Opinion, findings, conclusion or in the form of recommendation (Law No. 15 Year 2004)	1) Opinion 2) Findings	Dummy

**Data Analysis Techniques**

The analysis technique to test H<sub>1</sub> and H<sub>2</sub> in this study is multiple regression analysis with the formula:

$$Y = a + b_1X_1 + b_2X_2 + e \dots\dots\dots (1)$$

The analysis technique that is used to test H<sub>3</sub> and H<sub>4</sub> is statistical interaction method or Moderated Regression Analysis (MRA) which is the development of multiple regression technique as the following formula:

$$Y = a + b_1X_1 + b_2X_2 + b_5Z + b_6X_1Z + b_7X_2Z + e \dots\dots\dots (2)$$

Where as :

- Y = The quality of region financial statement
- Z = Audit of Indonesian Supreme Audit Institution
- a = Constanta
- b<sub>1</sub> = Regression coefficient X<sub>1</sub>
- b<sub>2</sub> = Regression coefficient X<sub>2</sub>
- X<sub>1</sub> = Human resource policies
- X<sub>2</sub> = Implementation of regional financial accounting system
- X<sub>Z</sub> = Interaction of human resource policies and implementation of regional financial accounting system with uncertainty condition.
- e = Error term

**FINDINGS**

The results of multiple regression analysis for H<sub>1</sub> and H<sub>2</sub> are shown in Table 2. Based on Table 2, the value of Adjusted R Square for the multiple regression model in this study is 0.462. It means that 46.2% of the quality of region financial statement variable can be explained by variations of human resource policies and implementation of regional financial accounting system. While the remaining 53.8% is explained by other variables outside the model used in this study.

**Table 2. The Results of Regression Analysis**

Model	Coefficient	t	Sig.
Constanta	0.857	2.111	0.038
Human resource policies	0.467	4.167	0.000
Implementation of regional financial accounting system	0.331	3.309	0.001
R	= 0.690		
R Square (R <sup>2</sup> )	= 0.477		
Adjusted R Square	= 0.462		
Std. Error of the Estimate	= 0.310		
F	= 31.885		
Sig. F	= 0.000		

Dependent Variable : the quality of region financial statement

### The Results of H<sub>1</sub> Test

H<sub>1</sub> stated that human resource policies have an effect on the quality of region financial statement. Table 2 shows that human resource policies variable has a coefficient regression of 0.467 and its significance value is less than 0.01 which is 0.000. This results means that H<sub>1</sub> is supported and it can be concluded that human resource policies have an effect on the quality of region financial statement.

The result of H<sub>1</sub> test show that if human resources policies is high, so the quality of financial statement is high too. The more appropriate the human resources policies taken by the government, the more qualified the local government financial statements. The appropriate human resources policies include the placement of competent human resources, the empowerment of human resource competencies by conducting trainings and human resources policies that encourage accounting staff to have adequate accounting knowledge. One of the objectives of the policy is to improve the competence of human resources and generate a representative working climate so that human resources in work can improve its ability in making quality financial reports.

The results of H<sub>1</sub> in this study consistent with the results of Wallis and Dollery (2005) study which states that policy directions are shaped by leadership styles that lead to disappointment in general policy systems and produce a receptive climate for leadership style changes. This study is also consistent with the results of Desiana (2012) study which states that the support of leadership has an effect on the competence of accounting staff and the competence of accounting staff have an effect on the quality of financial information in the District Office of Tasikmalaya.

The implication will drive the regional government to make proper human resources in increasing the quality of financial statement. The policies are about to allocate human resources to their competency, organize training for employees or encourage the accounting division employees to be more understand about accounting.

### The Results of H<sub>2</sub> Test

H<sub>2</sub> stated that implementation of regional financial accounting system has an effect on the quality of region financial statement. Table 2 shows that implementation of regional financial accounting system variable has a coefficient regression of 0.331 and its significance value is less than 0.01 which is 0.001. This results means that H<sub>2</sub> is supported and it can be concluded that implementation of regional financial accounting system has an effect on the quality of region financial statement.

The result of H<sub>2</sub> test shows that if the implementation of regional financial accounting system is high so that the quality of region financial statement is also high. This means that the better of implementation of regional financial accounting system, the more qualified region government financial statements. With the region financial accounting system will further facilitate the accounting user in processing financial data and work in accordance with government accounting standards that have been applied to the financial accounting system, so that the financial statements produced will also have good quality

The results of H<sub>2</sub> in this study consistent with the results of Roviyantie (2012) who states that the application of accounting systems affect the quality of local government financial statements. This shows that if the implementation of accounting system is high then the quality of financial statements is also high. The implication will encourage the regional government to implement the good accounting system in increasing the quality of financial statement. The policies are about to evaluate and maintenance the accounting system consistently in order to create more qualified financial accounting system.

### The Results of H<sub>3</sub> Test

H<sub>3</sub> stated that human resource policies have an effect on the quality of region financial statement that is moderated by audit of Indonesian Supreme Audit Institution. Table 3 show the results of moderated regression analysis for H<sub>3</sub>.

**Table 3. The Results of Moderated Regression Analysis**

Model	Coefficient	t	Sig.
Constanta	1.293	3.063	0.003
Human resource policies	0.679	6.684	0.000
Human resource policies X Audit of Indonesian Supreme Audit Institution	0.005	0.491	0.625
R	= 0.630		
R Square (R <sup>2</sup> )	= 0.397		
Adjusted R Square	= 0.380		
Std. Error of the Estimate	= 0.333		
F	= 23.039		
Sig. F	= 0.000		

Dependent Variable : the quality of region financial statement

Based on Table 3, human resources policies with audit of Indonesian Supreme Audit Institution as variable moderating have a coefficient regression of 0.005 and its significance value is more than 0.01 which is 0.625. This results means that  $H_3$  is not supported and it can be concluded that audit of Indonesian Supreme Audit Institution cannot moderate (strengthen or weaken) the relationship between human resources policies and the quality of region financial statement. This result of  $H_3$  test implies that the government need to make the adequate human resources policies for the government to have a quality financial statements, despite the presence or absence audit of Indonesian Supreme Audit Institution. The financial statements are used for decision making. The Qualified of financial statements are financial statements that meet relevant, reliable, understandable and comparable criteria.

### The Results of $H_4$ Test

$H_4$  stated that implementation of regional financial accounting system has an effect on the quality of region financial statement that is moderated by audit of Indonesian Supreme Audit Institution. Table 4 show the results of moderated regression analysis for  $H_4$ .

**Table 4. The Results of Moderated Regression Analysis**

Model	Coefficient	t	Sig.
Constanta	1.828	4.897	0.000
implementation of regional financial accounting system	0.601	6.103	0.000
implementation of regional financial accounting system X Audit of Indonesian Supreme Audit Institution	-0.010	-1.021	0.311
R	= 0.597		
R Square ( $R^2$ )	= 0.356		
Adjusted R Square	= 0.338		
Std. Error of the Estimate	= 0.344		
F	= 19.390		
Sig. F	= 0.000		

Dependent Variable : the quality of region financial statement

Table 4 shows that implementation of regional financial accounting system with audit of Indonesian Supreme Audit Institution as variable moderating have a coefficient regression of -0.010 and its significance value is more than 0.01 which is 0.311. This results means that  $H_4$  is not supported and it can be concluded that audit of Indonesian Supreme Audit Institution cannot moderate the relationship between implementation of regional financial accounting system and the quality of region financial statement. This result of  $H_4$  test implies that despite the presence or absence of audit of Indonesian Supreme Audit Institution, the regional government need to use financial accounting system. The purpose of implementation of regional financial accounting system is to make quality financial reports that are used for decision making. The wrong information in financial statements will mislead decision makers.

## **CONCLUSION**

Regression analysis in this study show that  $H_1$  and  $H_2$  are supported but  $H_3$  and  $H_4$  are not supported. Human resource policies have an effect on the quality of region financial statement. It means that if human resources policies are high, so the quality of region financial statement is also high. Implementation of regional financial accounting system also has an effect on the quality of region financial statement. This means that if implementation of regional financial accounting system is high, so the quality of region financial statement is also high. Meanwhile, this study cannot prove the audit of Indonesian Supreme Audit Institution (BPK) as a moderating variable in the relationship among human resource policies and implementation of regional financial accounting system on the quality of region financial statement.

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