International Journal of Economics and Financial Issues

ISSN: 2146-4138

available at http: www.econjournals.com

International Journal of Economics and Financial Issues, 2019, 9(4), 267-276.

The Effect of Human Resource Ethics on Financial Reporting Implications for Good Government Governance (Survey of Related Sub-units in State-owned Enterprises in SUMSEL)

Lesi Hertati[1,2]*, Wahyudin Zarkasyih[3], Harry Suharman[3], Haryono Umar[4]

[1]Departement of Accounting, STIE Rahmaniyah, Indonesia, [2]Department of Science Accountancy, Faculty of Economics and Business, Padjadjaran University, Dipati Ukur Street, Bandung, Indonesia, [3]Departement of Accounting, Faculty of Economics and Business, Padjadjaran University, Dipati Ukur Street, P.O box 40132, Bandung, Indonesia, [4]Departement of Accounting, Perbanas Institute, Indonesia. *Email: hertatilesi@yahoo.co.id

Received: 25 May 2019 **Accepted:** 22 July 2019 **DOI:** https://doi.org/10.32479/ijefi.8466

ABSTRACT

Human resource ethics is needed for quality decision making. Thus, the ethics of quality human resources financial reporting is produced by good human resource ethics. The purpose of this study was to determine the effect of human resource ethics on financial reporting implications on good government governance. The unit of analysis in this study is the related sub-units in state-owned enterprises in Indonesia. The population of this study is 335 related sub-units in BUMN. Using SEM-LISREL as an analytical tool. Data was collected by questionnaire as a research instrument. Results have shown that financial reporting can be reflected through: (1) Responsibility, (2) accountability, (3) liability.

Keywords: Human Resource Ethics, Financial Reporting, Good Government Governance
JEL Classifications: G3, G23, O15

1. INTRODUCTION

Human resources are tools for designing company performance so that the company's long-term goals can be achieved as an effort to maintain the survival of the company in the midst of intense business competition (Hall, 2011. p. 4). Ethics illustrates and can know how the development of operations that occur in the company and avoid the risk of doing something that is not supposed to be fatal for the company organization (Susanto, 2013. p. 37). Furthermore Mulyani (2009. p. 17) states that the ethics of human resources are aimed at someone, organization or anyone who needs, so information must be managed effectively and efficiently so that the organization gains strategic advantage, competitive advantage and operational excellence both inside and outside the company (McLeod and Schell, 2007. p. 60). Management of human resource ethics can work effectively is the process of processing data into good high value(Wilkinson et al., 2008. p. 5).

According to Kieso et al. (2012. p. 4) human resource ethics is the result of an accounting process that includes the process of recording, grouping, and summarizing financial data of certain entities presented in the form of financial statements. Quality accounting information is an ethic of human resources that is in accordance with user needs (Kieso et al., 2012. p. 3), besides that quality human resource ethics are needed in running the organization's business (O'Brien and Marakas, 2011. p. 390) human resource ethics quality is also useful for decision making (Gelinas et al., 2012. p. 19) and is used as a basis in overcoming human resource ethics in recording quality accounting that will affect capital providers and other stakeholders in making investment decisions, as well as credit (Van Beest et al., 2009)

Kieso et al. (2012. p. 4) add that with quality human resource ethics can create an efficient market.If the ethics of human resources are not qualified, then accounting information becomes useless (Kieso et al., 2012. p. 4).

According to Kieso et al. (2012. p. 48) reporting quality is measured by relevance, faithful representation and enhancing qualities, while McLeod and Schell (2007. p. 65) and Susanto (2013. p. 13) state that a quality human resource ethic must have characteristics of relevancy, accuracy, timeliness and completeness. Then Hall (2011. p. 13) adds summarizing so that a measure of quality human resource ethics consists of relevancy, accuracy, timeliness, completeness and summarizing. Not much different according to McManus and Harper (2003. p. 257) the basic key in determining the quality of human resource ethics is seen from functionally, reliability, efficiency, usability, portability and maintainability.

The phenomenon also occurs in BUMN, there are 510 cases of state financial irregularities which demand transparency and more accurate accounting information (Sumarjati, 2013), inaccurate financial records (Uchok, 2012) and a number of problematic documents (Iskan, 2012) there are at least 30 BUMNs that have poor financial performance (Iskan, 2013) and indicated problems in performance and finance (Hadiyanto, 2009) where an overview of state-owned financial statements is less effective and less accountable (Poernomo, 2012). Human resource ethics in carrying out their duties in system development, ensuring that their ethical concepts spread throughout the organization, through all levels and touching all employees (McLeod and Schell, 2007. p. 234). Therefore, increasing ethical behavior must begin with top management (Griffin, 2011. p. 108). Ethics is a set of beliefs, standards or thoughts that fill an individual, group or society (McLeod and Schell, 2007. p. 232). Ethics according to Laudon and Laudon (2014. p. 155) are the principles of truth and error that can be used by individuals, acting as free moral agents, in making choices to guide their behavior. So that it can be said that information systems are related to ethics, namely by raising ethical issues both individually and in groups (Laudon and Laudon, 2014. p. 155). When information systems are implemented, ethics becomes very important as a guideline for management in the framework of developing technology that is being applied by Piccoli, 2008. p. 450, in line with Rogerson et al. (2000) which states that ethics is related to the development of information systems.

Laudon and Laudon (2014. p. 155) reveal that the basic concepts of ethics in human resources in financial reporting consist of responsibility, accountability and liability. Furthermore Bagranoff et al. (2010. p. 334) states that human resources in the use of computers are honesty, protecting computer systems, information confidential, social responsibility, acceptable use and rights of privacy. In line with Hansen and Mowen (2007. p. 17) that the ethical principles are honesty, integrity, keeping promise, fidelity, fairness, caring for others, respect for others, responsible citizenship, the pursuit of excellence and accountability. McShane and Von Glinow (2010. p. 53) divides the principle of human resources into utilitarianism, individual right and distributive justice. The ethical condition of deviant human resources that occurred in BUMN was conveyed by Hasan (2013) that the BPK found many cases of SOEs that engineered bookkeeping so that the profits were large, so the bonus would be large. Furthermore Azis (2014) states that the value of budget deviations made by state-owned enterprises tends to rise. The mode that caused State losses in 2014 reached Rp. 527 billion. This mode is generally used in building construction and infrastructure maintenance projects. Another phenomenon is the case of alleged corruption in the sale of land owned by PT Barata Indonesia with the mode of sale of land owned by PT Barata by lowering the price of the NJOP price in force in 2004 (Johan, 2011). The potential for ethical violations allows exposure to the organization (Bodnar and Hopwood, 2014. p. 115). Based on this, it can be said that the ethics of human resources in financial reporting are needed in carrying out organizational activities to achieve results in the form of professional performance (Alter, 2002. p. 286) which are factors that have an impact on the sustainability of Good Government Governance (Ballantine et al., 2000).

Accrual accounting is an accounting system that recognizes transactions without basing on whether cash inflows or outflows (Mirag, et al. 2007). Similar opinions expressed by Susanto (2015) which define accrual accounting as a method of recording expenses when they occur and income when obtained during the accounting period. Accrual reporting is intended to increase accountability in the form of better reporting of information for users of financial statements, information about assets, debt, full cost, expense, income, and cash flow. Accrual accounting provides a better view of the performance of the public sector because it is an important tool for assessing financial flexibility and better planning and facilitating decision making for management (Catacutan, 2006). Accrual accounting is also able to increase transparency, consistency, and comparability of accounting information (Gowthorpe, 2005) stated her support that the accrual basis is the recognition of transactions that can be accepted according to general principles. Zakaria et al.(2010) uses the term fair review of transactions on the application of accrual accounting because income and costs are recognized when they occur and not when cash is received. Rosario,et al. (1999) has the same principle as emphasizing on the government sector.

2. HUMAN RESOURCE ETHICS

The ethics of human resources according to Laudon and Laudon (2014. p. 159) is human behavior that has freedom of choice. Ethics is about individual choice (ethics is a concern about humans who have freedom of choice. Ethics is about individual choice). The same opinion expressed by Dessler (2013. p. 461) states that ethics refers to behavioral principles that govern individuals or groups that use standards of conduct that must be done (ethics refers to the principles of governing conduct an individual or a group; specifically, the standards you use to decide what your conduct should be). Ethics of human resources are very important for the entire profession (Schwalbe, 2006. p. 30). Ethics of human resources is a branch of philosophy that values itself with morality by learning right and wrong and trying to draw the difference between good and bad. This opinion is in line with Bagranoff et al.

(2010. p. 333) that ethics is a set of moral principles or values. Therefore, ethical behavior involves making morally acceptable choices and judgments and taking actions. In line with Bagranoff et al. (2010. p. 333), Hall (2011. p. 112) revealed that ethics is related to the principles of individual behavior used in making choices and guiding their behavior in situations involving the concepts of right and wrong. According to Susanto (2013) ethics is a set of moral principles or values. Furthermore, Robbins and Judge (2014. p. 92) states that there are 3 (three) ethical criteria including utilitarianism, whistle-blowers and creativity. McShane and Von Glinow (2010. p. 53) argues that there are 3 (three) basic ethical principles, namely.

2.1. Utilitarianism

The moral principle which states that in making decisions from various alternatives must be the most beneficial for many people.

2.2. Individual Right

The moral principle which states that everyone has the right to the law and their respective rights.

2.3. Distributive Justice

The moral principle which states that all people must be respected in accordance with their respective portions.

Hall (2011. p. 586) divides ethics into 4 (four) basic categories, namely equity, rights, honesty and exercise of corporate power. O'Brien and Marakas (2011. p. 532) and Gupta (2011. p. 380) reveal moral dimensions specifically related to the use of any form of information system and broadly have 4 (four) principles, among others: Proportionality (informed consent) (information based agreement), justice (justice) and minimized risk (risk minimization). Laudon and Laudon (2014. p. 159-160) reveal the basic concepts of user ethics in the application of information systems include.

2.4. Responsibility

Responsibility is a key element of ethical action which means receiving from all forms of costs, tasks and necessities from decisions made.

2.5. Accountability

Accountability of systems and social institutions, meaning the mechanism is in place in determining who is responsible, who is acting.

2.6. Obligations

It is a feature of a political system where the legal entity is in place that allows individuals to be recovered from damage or losses committed by other actors, systems or organizations. These basic concepts form the basis for conducting ethical analysis of information systems and for users who manage them (Laudon and Laudon, 2014. p. 160). Furthermore Bagranoff et al. (2010. p. 334) states that the implementation of information systems requires ethical behavior consisting of honesty, protecting computer systems, information confidential, social responsibility, acceptable use and rights of privacy. Other principles in behaving to describe right and wrong according to Hansen and Mowen (2007. p. 17) are honesty, integrity, promise keeping, fidelity, fairness, caring among others (caring for others), respect for others (respect for others), responsible citizens (responsible citizenship), achievement of the pursuit of excellence and accountability.

The issue of good government governance is also related to the support of top management or regional heads. This is in accordance with the statements of Elkeles and Philips, (1999: 180) that leaders must be willing to encourage employees (the community) to participate in organizational programs and be more involved in the development and implementation of the organization's programs. Management support is an action taken by all management groups, especially at the top and middle management who support various activities that can affect the effectiveness of the organization, (Phillips et al., 2001. p. 79). The same thing was said by Elkeles and Philips (2006. p. 261) that management support was the action of the management team, which showed their attitude towards the process of learning and staff development. Furthermore, Elkeles and Philips (2006. p. 261) said that the support provided by management had a tremendous impact on the success of organizational programs, where one form of leadership support could be in the form of allocating resources and forms of support in organizational learning and development. Related to the implementation of good government governance, the form of top management support can be seen from three aspects as well said Santoso (2015), as the Head of BPK RI Province of Bali Representative, namely: (a) Aspects of commitment, regulation and policy; (b) aspects of human resource management, and (c) aspects of information technology management. In fact, there are still weaknesses in these aspects as happened in The Province of Bali is that there is no accrual-based Government plan/implementation of government accounting standards/strategies, (Santoso, 2015). The same conditions also occur in the government of Bangka Belitung Province, namely the local government has not implemented regional head regulations on accounting policies and regional head regulations regarding the accounting system of local governments, (Subagyo, 2015). Furthermore it was said that the problem of limited human resources in the regional work unit (SKPD) and the regional finance management work unit (SKPKD) that understood government accounting was an obstacle for local governments to utilize information technology-based accounting applications. Meanwhile, according to Subowo (2015) in the Central Java provincial government and seven regencies/cities in Central Java, the existing human resources (HR) do not yet have full competency for accrual-based SAP implementation.

3. FINANCIAL REPORTING

The quality of financial reporting has a very important meaning because it is a manifestation of the accountability of each working unit in carrying out its activities for a performance-based 1 year budget. Similarly, the submitted financial statements are demanded to be timely, complete/valid, valid, and accountable compiled based on agency accounting principles. However, the reality is that not all the satker in the Province and the Satker in the regency are allocated costs for the operationalization of the preparation of financial reports based on Institutional Accounting Systems (SAKPA and SABMN). The impact is very difficult to fulfill the elements on time (Rosario, et.al (1999). Government financial reporting is carried out based on laws and regulations governing government finances, among others (PP No. 24 of 2005. p. 105):

1. APBN/D realization report, presents an overview of sources, allocations, and use of economic resources managed by the central/regional government, which illustrates the comparison between the budget and its realization in a reporting period
2. Balance sheet, describes the financial position of an entity reporting on assets, liabilities, and equity funds on a certain date
3. Cash flow reports, present cash information in connection with operational activities, investment in non-financial assets, financing, and non-budgetary transactions that describe the initial balance, receipts, expenditures, and final balances of the central government area for a certain period
4. Notes to the financial report, including narrative explanations or details of the numbers listed in the budget realization report, balance sheet and cash flow statement.

Public sector financial statements represent the financial position of transactions carried out by a public sector entity. The general purpose of financial statements is to provide information about the position of finance, performance, and cash level of an entity that is useful for a large number of users (wide range users) to make and evaluate decisions regarding the allocation of resources used by an entity in achieving its objectives. Financial statements are prepared to provide relevant information regarding financial position and all transactions carried out by a reporting entity during a reporting period. In the Government Accounting Standards Conceptual Framework (PP No. 24 of 2005) it is stated that what is meant by a reporting entity is a government unit consisting of one or more accounting entities which, according to the provisions of legislation, must submit an accountability report in the form of financial statements, consisting of: (a) Central government, (b) Regional government, (c) organizational units within the central/regional government or other organizations, if according to the laws and regulations the said organizational units are required to submit financial reports. Each reporting entity has an obligation to convey the efforts that have been made and the results achieved in the implementation of activities in a systematic and structured manner in a reporting period for interest (PP No. 24 of 2005 in Ray, 1999).

3.1. Accountability

Responsible for managing resources and implementing policies entrusted to reporting entities in achieving periodically set goals.

3.2. Management

Helping amok users evaluate the implementation of the activities of a reporting entity in the reporting period so that it facilitates the functions of planning, managing, and controlling all government assets, liabilities, and equity funds amok community interests.

3.3. Transparency

Providing open and honest information to the public based on the consideration that the community has the right to know openly and comprehensively about the responsibility of the government in the management of the resources entrusted to it and its compliance with laws and regulations.

3.4. Intergenerational Equity

Assist users in knowing the adequacy of government revenues in the reporting period to finance all allocated expenditures and whether future generations are assumed to share the expenses. The purpose of government financial reports according to the International Federation of Accountants Public Sector Committees (IFC-PSC) study 11, (Spira, 1999) are:

1. Report whether the resources obtained and used are in accordance with the regulations (budget)
2. Report whether the resources obtained and utilized are in accordance with legal requirements and other contracts
3. Providing information about resource allocation and use of financial resources
4. Provide information about how the government or units under it finance their activities
5. Provide information about the benefits of evaluating the ability of the government or units to finance their activities and fulfill their obligations and commitments
6. Provide information about the financial condition of the government or units and their changes
7. Providing information that is useful in evaluating the performance of the government or its units in terms of service costs, efficiency and achievement.

4. GOOD GOVERNMENT GOVERNANCE

In accordance with the definition of the United Nation, Umar (2006. p. 30) says that the main elements of good government governance include accountability, transparency (transparency), openness (openness) and the rule of law (rule of law). Further said that good government governance it will be implemented properly if it is supported by a democracy and an orderly atmosphere. The scope of good government governance basically consists of:

1. Transparency, which means openness in government management, environmental, economic and social management
2. Participation, which means the adoption of democratic decision-making and recognition of human rights, freedom of the press, and freedom to express people's opinions or aspirations
3. Accountability, as the obligation to report and respond from those entrusted with trust or delegated to account for success or failure to those who entrust the mandate or delegate authority until those who give satisfaction or delegate are satisfied and if there are none or dissatisfied, sanctions can be imposed. Application of good government governance. according to Rosario et al. (1999) can be measured through five main elements, namely:
    - Political and bureaucratic accountability
    - Freedom of association
    - Efficient objectives and justice.
4. Freedom of information and expression
5. Efficient public institutions.

Blunt (1995) which based on the definition of the World Bank, also provides almost the same criteria for measuring the implementation of good government governance in a government, namely:

1. Capacity and efficiency of the public sector
2. Accountability
3. Legal framework
4. Transparency and information.

Hout (2007) revealed that the condition of a country said to be effective or ineffective can be seen whether the country is able to help the growth of the business world, and provide services to its citizens, accountable and responsive to society. In this case the good governance governance requires:

1. Capability (capability)
   The extent to which the government has funds, human resources, and legitimacy to get things done.
2. Responsiveness (responsiveness)
   The extent to which the government listens to what its citizens want and follows up
3. Accountability (accountability)
   Khawaja (2011. p. 16-19), describes the dimensions and indicators of Good Government Governance as follows:
   - Accountability (building government capacity)
     Accountability of public sector institutions is an evaluation of their economic and financial performance. Economic accountability is related to the effectiveness of policy formulation and implementation, and efficiency in the use of resources. Financial accountability includes the accounting system for expenditure control, as well as the existence of internal and external audits. Criteria are needed to measure the performance of public officials so that they can explain government accountability and fulfill community needs, including effective policy formulation, efficient implementation and use of resources. Accountability is measured by the following indicators: (a) Public sector management. (b) Public entrepreneurship management. (c) Management of public finance. (d) Community service reform.
   - Participation (participatory development process)
     At the grassroots level, participation implies that government programs are flexible enough to provide benefits, and positive impacts, opportunities to improve policies and implementation of various public programs. While effectiveness in policies and institutions will affect the economy as a whole which requires the support and cooperation of economic actors. Besides that, relations between the public sector and the private sector are needed that are conducive in participating to improve the economy and national performance.

4.1. Effect of Human Resource Ethics on Financial Reporting

The ethics of human resources are subject to many interpretations, sometimes contradictory, Carroll (2015) the ethics of human resources is a very relevant problem present in many aspects of real life. These situations can be examined through several branches and under several analytical grids, modern or classic (Catacutan, 2006). A distinguishing sign of the accounting profession is the acceptance of its responsibility to act in the public interest (Enderle, 2006). The main qualities that emerge in the professional code of ethics include independence, integrity, objectivity, competence and judgment. For example, the ICAEW introduction to the "Guide to Professional Ethics" (Mahdavikhou et al., 2011) includes a list of five basic principles that explicitly state or clearly imply all these qualities, along with other related qualities such as honesty, fairness, honesty, courtesy, skills and perseverance (Abu Bakar et al., 2008).

Because of the importance of this problem, many researchers in developed countries have conducted studies accounting ethics education. They have shown that ethical education must be given in business schools for the development of future generations (Gowthorpe, 2005). Ethical education helps students identify relationships including ethical decision making and real-life behavior Abu Bakar et al. (2008) explored the ethics of the attitude of accounting students last year. This study shows that the majority of respondents prefer not to obey unethical behavior. Professional ethics has an important position in the Thai Federation of Professional Accounting (FAP) organizations and in Australia, ethics is currently the responsibility of a Professional Accounting Standards and Board Ethics Standards are limited (Helps, 1994). Human resource ethics is capability (capability) basically refers to the skill (skill) in coordinating resources and placing them for productive use. Management is basically the process of utilizing organizational resources to achieve certain goals by applying management functions, namely planning, organizing, directing, and controlling (Luoma, 1989). To apply accrual-based double entry accounting, human resources (HR) are required to understand accounting logic well. Local government apparatus that handles financial problems is not enough to just master the administration of the budget, but also must understand the characteristics of the transactions that occur and their effects on the accounts in the regional government financial statements. The failure of the local human resource ethics in understanding and applying the logic of accounting will have an impact on the financial statements that have been made and report incompatibilities with the standards set by the government. In this case, regional governments generally have a limited number of human resources who master the accounting logic well. The many ethics of the financial resources of regional governments that have a non-accounting background are one of the main obstacles nowadays. In addition to the ethical factors of human resources, the inconsistency of the central government towards the policies issued related to regional financial management is also a major factor in the slow progress of regional financial accountability (Luoma, 1989).

Research on the ethical readiness of human resources accounting subdivisions of local governments in relation to regional financial accountability has been carried out by Simkin et al. (2013) and (Mahdavikhou, 2010). Their research used an exploratory case study approach to the Government of "XYZ" and its findings that local governments still did not have the initiative to publish regional financial reports through mass media as one of the media for public accountability. There is an assumption that the accounting subdivision is a dump or can be said to be a subdivision that is not too important. The accounting subdivision still does not carry out the accounting process. Job description of the accounting subdivision is not in accordance with the actual accounting function. The educational background of most human resources in the accounting subdivision is still not appropriate. Accounting training is still not implemented to ensure the implementation of the accounting function properly. Almost all personalities in the accounting subdivision only act as computer operators.

This study aims to study the impact of professional ethics on improving financial reporting quality. The statistical population in this study included 440 companies listed on the Tehran Stock Exchange (TSE) in 2010. Using the Krejcie and Morgan tables to determine sample size, 205 companies were selected as statistical samples and a 24-item questionnaire was designed to study professional ethics and qualitative characteristics financial reporting based on the International Accounting Federation (2005) (IFAC) code of ethics and the financial reporting qualitative characteristics of the International Accounting Standards Board (2006) (IASB), the questionnaire is distributed among corporate financial managers. To test the hypothesis, the relevant statistical tests such as the Spearman correlation coefficient and other tests are needed. Data collected was analyzed using the SPSS statistical package. The results of the study show a statistically significant relationship between professional ethics and financial reporting quality. Financial reporting quality shows the limits on which a company's financial statements, economic status, and functions, measured over a period of time, are honestly presented (Talebnia et al., 2011).

Truth and trust in the financial reporting system depends far more than individual actions and decisions or sophisticated "mechanisms" for the whole system (Enderle, 2006). Companies in energy, accounting, and the banking industry and professional associations of certified public accountants and investment managers and researchers have, to varying degrees, influenced the quality and trust in the financial reporting system. Therefore, truth and trust in the financial reporting system cannot be a matter of personal or institutional ethics alone (Zakaria et al., 2010). In 1980, AICPA President William Gregory warned members of the fact that "accountants have subordinate politeness, mutual respect, restraint, and fairness in search of strong growth and bottom line preoccupation." Representatives from large companies however denied ethical responsibility for the company's scandal that occurred. According to them what happened between Enron and Andersen was not so much a consequence of the lack of ethics on the part of the auditor, but was caused by a failure in the current financial reporting system that advocated for financial statements "looked back" (Zakaria et al., 2010). Ethical behavior in accounting is more important than auditing because accounting systems prepare financial reports for audits (Luoma, 1989).

Jabbarzadeh and Bayazidi (2010) examines financial reporting ensuring that all financial system users must know generally accepted accounting principles (GAAP). In the business world, accurate accounting plays an accrual role (International Federation of Accountants,2005). Ethical financial reporting and accounting practices are in accordance with basic human requirements. This creates credibility with the public and employees. Ethics and accountants exist to protect the public from unscrupulous companies. Most professional accountants hide or manipulate information. Most accounting scandals occur in fraudulent financial reporting. This means that the management of the company presents statements about financial statements. Usually, this is done with the intention of capitalizing on investors and maintaining the company's stock price in the current scenario. Business ethics has its own meaning that helps come from global financial scandals. Hertati (2015) found a study of direct ethnic guideline requirements that spread awareness to protect from corporate scandals that occur in various regions in various countries that are very dangerous to our economy and society. Because the information needs provided by an accountant and manager must pay attention to certain professional ethical standards, adequacy of financial management, audit quality, company ethics, embrace ethics etc. This paper explains the meaning of ethics, the causes of ethical problems relating to accounting and financial reporting, and the steps needed to resolve the problem.

4.2. Effects of Financial Reporting on Good Government Governance

Brenkert (2004) says the concept of good government governance is directly related to the development management process, which involves the public and the private sector. This includes the functions and capabilities of the public sector, such as the existence of rules and institutions that make the implementation framework including accountability for economic and financial performance, and the regulatory framework relating to companies and partnerships. The same thing was conveyed by Samani (2015. p. 6) that increasing transparency and quality of financial reporting will be able to improve organizational performance. Transparent and quality governance management can improve the achievement of strategic goals (Ray, 1999). The same thing is said by Eric (2003. p. 9) that organizational performance will depend on the quality of the organization. Pandey (2017), said that efforts to improve accountability through revitalizing public services to improve performance is an important agenda. In this case the relationship between corporate governance and organizational performance lies in the multi-dimensional nature of corporate governance. Corporate governance demands to comply with legal obligations, and protection for shareholders against fraud or organizational failure. Without a strong governance mechanism, especially the ability to direct and control, managers may not be responsible for failure to set targets.

Research carried out by (Caliyurt, 2007) regarding the timeliness of submission of financial reports review of management performance, auditor quality, and audit opinion, shows that the company's management has an obligation to submit financial statements. The financial statements that are conveyed appropriately show that management views the information contained in financial statements as good news. Empirical testing proves that of the four variables (audit quality, opinion, audit, profitability, and leverange) that are thought to motivate management to deliver financial statements appropriately, only audit opinions have an effect on the timeliness of financial statement submission. Research conducted (Filipe et al., 2011) about the value of information on the timeliness of financial report submission: empirical analysis of information regulation in Indonesia. Variable timeliness of completion of the preparation of financial statements. Timeliness is an important thing to test because the delay in the completion of the SKPD financial report will hinder the preparation of local government financial reports. Financial statement information becomes irrelevant if the delivery time is late. Thus, good government governance can minimize the possibility of poor organizational performance, or in other words good government governance can improve the performance of an organization or company.

Gaffikin (2009) conducted a literature study of various studies that examined the effect of corporate governance on performance and in general the research results discussed showed that there was a positive relationship between corporate governance and performance. Companies that adopt good corporate governance practices give signals to future performance and also the application of good corporate governance can be used as a binding mechanism for management and employees to distance themselves from inefficient practices. Filipe et al. (2011), also found the same results that there is a positive relationship between good corporate governance and company performance. Hertati (2015) who conducted research on companies in Thailand after the 1997 crisis found that the application of good government governance had a positive effect on company performance. Gammie and Gammie (2009) who conducted research using seven indicators of good government governance, namely: Legitimacy, transparency, accountability, inclusiveness, fairness, connectivity and resilience. The results of his research show that the principles of good government governance are closely related to the achievement of performance. Another study conducted by Krejcie and Morgan (1970) found financial managers as a proxy for good government governance, performance (ownership), ownership (ownership) and capital structure (capital structur). The results of the study show that good government governance has a positive effect on stock market performance in the future. Smith (2003) who conducted research on SKK oil and gas companies in Indonesia also found the same results that the implementation of good government governance had a positive effect on company performance. Rosdini (2011) conducted a study on 147 companies listed on the Indonesia Stock Exchange from 2004-2006 found that corporate governance had a significant effect on company performance. Likewise, Talebnia et al. (2011) found that there is a positive relationship between corporate governance and organizational performance.

Likewise with the results of research on Hertati (2015), it was also found that corporate governance had a positive effect on organizational performance. Elkeles and Philips (2006) Securities companies listed found that there are positive relationships between the quality of corporate governance and the market value of the company. Pandey (2017) found that corporate governance has an effect on the company's financial performance. Krejcie, et al. and Morgan (1970) conducted a study on 50 large companies listed on the Karachi Stock Exchange, the results of which showed that the quality of corporate governance had a significant effect on company performance. The same thing was shown by Zarkasyi (2008) that there is a positive influence between corporate governance and company performance. While the results of Gowthorpe, (2005). Showing corporate governance has an effect on company performance which is shown by significant company growth. Likewise, the results of Erkens et al. (2009) show that companies that implement corporate governance are faster out of the financial crisis. The results of and Pandey (2017) show that corporate governance research has a positive effect on the company's financial performance and market performance.

5. MEASUREMENT MODEL

Based on the framework developed in this study, for the purpose of testing the hypothesis is made the structure of the analysis of the overall research variable which is a combination of the measurement model and structural model that describes the causality relationship between exogenous variables and endogenis variables. Hair Jr et al. (2014) state that to build an indicator precisely the formative combination of indicators. If it is reflective and if a combination, indicators represent consequences that reflect or cause constructs. If there are consequences and if formative causes. If the assessment of changes in nature, all items will change in the same way (assuming they are both coded), if it is reflective and if not formative.

The better the quality of the management accounting system the better the quality of management accounting information. In measuring reliability in SEM, a composite reliability measure (measure of composite reliability) and variance extracted measure will be used (size of extract variant). The construct reliability is calculated as follows:

$$\mathrm{CR} = \frac{\left(\sum \text{std.loading}\right)^2}{\left(\sum \text{std. loading}\right)^2 + \sum e_j}$$

Where std. loading (standardized loadings) can be obtained directly from the LISREL-8.7 and ej program output is a measurement error for each indicator or variable observed. Extract variants reflect the total number of variants in the indicators (observed variables) explained by latent variables. Size of extract variant (extracted variant) can be calculated as follows):

$$\text{Variance Extracted} = \frac{\Sigma \text{std. loading}^2}{\Sigma \text{std. loading}^2 + \Sigma e_j}$$

5.1. Hyphoteses

H_0: γ1.1, ≤0:	There is the influence of human resource ethics on financial reporting
H_1: γ1.1>0:	
H_0: γ1.1, ≤0:	There are financial reporting effects on good governance
H_1: γ1.1>0	Governance

Based on Table 1 above it can be concluded that all items from the statement instrument regarding the management accounting information quality variable are declared valid for use in the processing and analysis of data, because all the correlation values are greater than the criteria (0.3).

Testing the reliability of research instruments carried out internally. According to Sugiyono (2011) reliability tests were conducted to determine whether the measuring instruments that had been designed in the form of a questionnaire were reliable. Instruments that are reliable or reliable, will produce reliable data too. Reliability testing was carried out using Cronbach's alpha which measures consistency between items in the questionnaire. The general criteria used are: an instrument that is reliable internally if the Cronbach's alpha coefficient is >0.60 (Sugiyono, 2008).

Table 1: Parameter model structural

Consequence	Mediator	Cause	Standard estimates	Estimates	Default error	Z-value-	P-value	Information
HE	-	FR	0,52	0,560	0,20	1,81	0,535	Sig.
FR	-	GGG	0,66	0,561	0,07	0,86	0,576	Sig.

Source: Primary data processed 2019

Table 2: Value Cronbach's alpha

Variable	Koefisien Cronbach's alpha	Criteria	Description
Human resource ethics	0,601	0,7	Reliabel
Financial reporting	0,793	0,6	Reliabel
Good governance govermance	0,893	0,5	Reliabel

Source: Primary data processed 2019

Reliability testing is done using SPSS software ver. 20 for Window. The following is a summary of the calculation results for testing the validity of the research instruments for each variable (Table 2).

From Table 2 above, it appears that each measurement instrument is reliable because the Cronbach's alpha coefficient of each variable is >0.60, indicating that the three variables can be relied upon to be used as a data collection tool.

1. The magnitude of the effect of the variable human resource ethics on financial reporting is 0.52 can be interpreted as any decrease in human resource ethics 1 standard deviation results in a decrease in financial reporting an average of 0.52 standard deviations assuming other variables are constant
2. The magnitude of the influence financial reporting on good governance govermance is 0.66 can be interpreted as any decrease in financial reporting 1 standard deviation, causing a decrease in good governance govermance by an average of 0.66 standard deviations assuming other variables are constant.

The observation unit in this study is students and lecturers as a college in SUMSEL. This study uses primary data, while the data collection method used is a questionnaire. Validity test is done which is used to determine the feasibility of items in the list of questions to determine the variables and reliability test to measure the reliability of the object being measured. Data analysis was carried out by descriptive and verification analysis. Descriptive analysis is done by balanced categorization using inter quartile ranges (Cooper and Schindler, 2006. p. 467). Verification analysis used to test the hypothesis in this study is to use structural equation modeling (SEM) components or variance based on what is known as partial least square (Table 1).

6. CONCLUSON

The purpose of this study is to investigate the ethical impact of human resources on improving financial reporting on companies that. The findings of this study indicate the ethics of human resources have a high impact on improving the quality of qualitative characteristics of financial reporting. Human resource ethics can present financial information has a correlation coefficient for the future, this research needs to be improved and developed to cover other aspects of financial reporting. Financial reporting takes into account the truth and trustworthiness in general based on human resource decisions and ethical actions for the entire company and society.

Financial scandals occur because of the failure of financial reporting and accounting standards not to be applied properly in accounting practices. So there is a need to create awareness of professional codes of ethics through accounting education and practice in the community. To create a balance between economic, social and professional responsibilities. Motivating employees and management to adopt ethical behavior of human resources that will help prevent fraud and also be useful for the future with the profession of ethical human resources can contribute to accounting.

REFERENCES

Abu Bakar, N., Ismail, S., Mamat, S. (2008), Ethics of future accounting professionals: Evidence from Malaysia. Journal of Financial Reporting and Accounting, 6(1), 21-33.

Alter, S. (2002), Information Systems Foundation of E-Business. 4th ed. New Jersey: Pearson Education International.

Azis, H.A. (2014), 7 Masalah Keuangan Yang Harus Dibenahi Pemerintah. Available from: http://www.suara.com/bisnis/2014/12/03/053800/7 -masalahkeuangan- yang-harus- dibenahi-pemerintah.

Bagranoff, N.A., Simkin, M.G., Norman, C.S. (2010), Accounting Information System: Controls and Processes. USA: John Wiley and Sons.

Ballantine, J., Levy, M., Martin, A., Munro, I., Powell, P. (2000), An ethical perspective on information systems evaluation. International Journal of Agile Management Systems, 2(3), 233-241.

Blunt, P. (1995), Cultural relativism, "good" governance and sustainable human development. Public Administration and Development, 15(1), 1-9.

Bodnar, G.H., Hopwood, W.S. (2014), Accounting Information System. New Jersey: Prentice Hall.

Brenkert, G.G. (2004), Corporate integrity and accountability. Thousand Oaks: SAGE. p87-89.

Caliyurt, K.T. (2007), Accounting ethics education in Turkish public universities. Social Responsibility Journal, 3(4), 74-80.

Carroll, R.A. (2005), In: Gowthorpe, C., Blake, J., editors. Model for Ethical Education in Accounting. New York, London: Routledge.

Catacutan, R. (2006), A humanistic Perspective in Teaching Business Ethics in Accountancy, Paper Presented at the 6th Annual Ben-Africa Conference University of Stellenbosch, Capetown, South Africa26-28 Strathmore University Nairobi, Kenya, p1-6.

Cooper, D.R., Schindler, P.S. (2014), Business Research Methods. 12th ed.

New York: McGraw-Hill Education.

Iskan, D. (2013), Dahlan: Rapor 30 BUMN Masih Buruk. Melalui. Available from: http://www.republika.co.id/berita/ekonomi/bisnis/13/07/22/mqcgok-dahlan-rapor-30-bumn-masih-buruk. [Last accessed on 2013 Jul 22].

Iskan, D. (2013), Dahlan: Rapor 30 BUMN Masih Buruk. Melalui. Available from: http://www.republika.co.id/berita/ekonomi/bisnis/13/07/22/mqcgok-dahlan-rapor-30-bumn-masih-buruk. [Last accessed on 2013 Jul 22].

Elkeles, T., Philips, J.J. (2006), The Chief Learning Officer Driving Value within a Changing Organization through Learning and Development. New York: Elsevier Inc.

Enderle, G. (2006), In: Xiaohe, L., editor. Confidence in the Financial Reporting System: Easier to Lose than to Restore. In: Lu.

Eric, N. (2003), The Pattern of Aid Giving. The Impact of Good Governance on Development Assistance. London, New York: Routledge.

Filipe, J.A., Alberto, M., Ferreira, M., Coelho, M., Ferreira, M.A.M. (2011), An ethical issue in anti-commons management aquaculture case in Portugal. International Journal of Academic Research, 3(1), 250-252.

Gaffikin, M. (2009), Commentary education for an accounting profession. Pacific Accounting Review, 21(2), 170-185.

Gammie, E., Gammie, B. (2009), The moral awareness of future accounting and business professionals, the implications of a gender divide. Pacific Accounting Review, 21(1), 48-73.

Gelinas, U.J. Jr., Dull, R.B., Wheeler, P.R. (2012), Accounting Information System. 9th ed. USA: South Western Cengage Learning.

Gowthorpe, C. (2005), Ethical issues and the auditor. In: Gowthorpe, C., Blake, J., editors. Ethical Issues in Accounting. 2nd ed. Taylor and Francis e-Library. p135-149.

Griffin, R.W. (2011), Management Principles and Practices. 10th ed. South Western: Cengage Learning.

Gupta, H. (2011), Management Information Systems. An Insight. New Delhi: International Book House Pvt., Ltd.

Hadiyanto, H. (2009), Depkeu Masih Kesulitan Hitung Aset Negara. Available from: http://finance.detik.com/read/2009/06/19/150726/1150798/4/depkeu-masih-kesulitan-hitung-aset-negara. [Last accessed on 2009 Jun 19].

Hair, J.F Jr., Hult, G.T.M., Ringle, C.M., Sarstedt, M. (2014), A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). USA: Sage Publications Asia-Pacific Pte.

Hall, J.A. (2011), Accounting Information Systems. 7th ed. United States: South-Western Cengage Learning, a Part of Cengage Learning.

Hansen, D.R., Mowen, M.M. (2007), Managerial Accounting. 8th ed. USA: Thomson South Western.

Hasan, B. (2013), Tidak Semua Kerugian BUMN Jadi Kerugian Negara. Available from: http://www.hukumonline.com/berita/baca/lt522708e1d18de/tidak-semua-kerugian-bumn-jadi-kerugian-negara. [Last accessed on 2013 Sep 04].

Helps, L. (1994), Should we teach ethics in accounting education? Management Accounting: Magazine for Chartered Management Accountants, 72(6), 46.

Hertati, L. (2015), Competence of human resources. The benefits of information technology on value of financial reporting in Indonesia. Research Journal of Finance and Accounting, 6(8), 12-18.

Hout, W. (2007), The Politics of Aid Selectivity Good governance criteria in World Bank, US and Dutch Development Assistance. Milton Park, Abingdon, Oxon: Routledge 2 Park Square.

International Accounting Standards Board. (2006), Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision-useful Financial Reporting Information. p44-58.

International Federation of Accountants (IFAC). (2005), Code of Ethics for Professional Accountants. New York: International Federation of Accountants. p4-14.

Jabbarzadeh, K.S., Bayazidi, A. (2010), The investigation of the relationship between ethics values and agency costs in accounting system of Iran. International Journal of Academic Research, 2(5), 345-350.

Johan, B. (2011), Direktur Keuangan PT Barata Indonesia Jadi Tersangka KPK. Melalui Available from: http://www.sp.beritasatu.com/home/direktur-keuangan-pt-barata-indonesia-jadi-tersangka-kpk/4409. [Last accessed on 2011 Mar 10].

Joseph, W.W, Michael, J.C., Vasant, R., Bernard, W.O.W. (2008), Accounting Information System: Assential Concepts and Application. 4th ed. USA: John Wiley and Sons.

Khawaja, S. (2011), Good Governance and Result Based Monitoring. Islamabad, Pakistan: Published by Poorab Academy.

Kieso, D.E., Weygandt, J., Warfield, T.D. (2012), Intermediate Accounting. 14th ed. UK: John Willey and Sons, Inc.

Krejcie, R.V., Morgan, D.W. (1970), Determining sample size for research activities. Educational and Psychological Measurement, 30, 607-610.

Laudon, K.C., Laudon, J.P. (2014), Management Information Systems Managing the Digital Firm. 13th ed. America: Pearson Prentice Hall.

Luoma, G.A. (1989), Can ethics be taught? Management Accounting, 1, 14-16.

Mahdavikhou, M. (2010), An Investigation into the Effect of Applying Ethics by Accountants on Preparing Reliable Financial Information. Hamedan Branch, Iran: MA Thesis, Islamic Azad University. p70-110.

Mahdavikhou, M., Mohsen, K. (2011), The impact of professional ethics on financial reporting quality. Australian Journal of Basic and Applied Sciences, 5(11), 2092-2096.

McLeod, R., Schell, G.P. (2007), Management Information System. 10th ed. Upper Saddle River, New Jersey: Pearson, Prentice Hall.

McManus, J., Harper, T.W. (2003), Information Systems Project Management. Methods, Tools and Techniques. The United Kingdom: Pearson Education Limited.

McShane, S.L., Von Glinow, M.Y. (2010), Organizational Behaviour. 5th ed. Singapore: McGraw-Hill International Edition.

Mirag, Qadir, A., Ahmed, A.H. (2007), Corporate Governance in the banking sector and the Financial and their Role in Establishing the Rules of Transparency. Scientific Symposium of the Accounting Department, the Saudi Capital Market Look Independent, King Khalid University, Saudi Arabia RR: 12.14.

Mulyani, A.K. (2009), Sistem Informasi Manajemen Rumah Sakit: Analisis dan Perancangan. Bandung: Abdi Sistematika.

O'Brien, J.A., Marakas, G.M. (2011), Management Information Systems. 10th ed. New York: McGraw-Hill Irwin.

Pandey, A. (2017), Ethical issues of financial reporting. Open Acces International Journal of Scienc and Enginering, 2(3), 47-50.

Philips, J.J. (1999), Accountability in Human Resource Management. Houston, TX: Gulf Publishing Company.

Phillips, J.J., Ron, S.D., Pulliam, P.P. (2001), The Human Resources Scorecard Measuring the Return on Investment. Boston: Butterworth-Heineman.

Phillips, J. Jack; Stone,D. Ron; Phillips, Patricia Pulliam. 2001. The HumanResources Scorecard Measuring the Return on Investment. Butterworth–Heineman

Piccoli, G. (2008), Information Systems for Managers. Text and Cases. USA: John Wiley and Sons Inc. United States of America.

Poernomo, H. (2012), BPK Asks Minister Dahlan to Tidy Up BUMN Assets. Available from: http://www.tempo.co/read/news/2012/06/19/087411507/BPK-Minta-Mundang-Dahlan-Rapikan-Aset-BUMN. [Last accessed on 2012 Jun 19].

Poernomo, H. (2012), North Sumatra: BPK Agrees to Build an E-Audit System. Through. Available from: http://www.indonesia.go.id/en/

regionalgovernment/north-sumatera-province/1540kkn/11301-sumatera-utara-bpk-sepakat-bangunsistem-e-audit. [Last accessed on 2012 Jul 16].

Poernomo, H. (2012), Ministry/agency Financial Reports Improved. Through. Available from: http://www.nasional.kontan.co.id/news/lreports-financial-kulty-lembaga-membaik. [Last accessed on 2012 Oct 02].

Ray, B. (1999), Good governance, administrative reform and socioeconomic realities a South Pacific perspective. International Journal of Social Economics, 26(1/2/3), 354-369.

Robbins, S., Judge, T.A. (2014), Essensial of Organizational Behaviour. 12th ed. USA: Pearson Education.

Rogerson, S., Weckert, J., Simpson, C. (2000), An ethical perspective on information systems evaluation. International Journal of Agile Management Systems, 2(3), 233-241.

Rosario, G.M., Eduardo, T.G., Romualdo, B.G. (1999), Indicators of Good Governance: Developing an Index of Governance Quality at the LGU Level. Philippine Institute for Development Studies, Discussion Paper Series No. 99-04.

Rosdini, D. (2011), The Influence of Investment Opportunity Set and Corporate Governance to Earnings Quality and Firm Value. World Business and Economic Research Conference.

Samani, N.K. (2015), Financial Reporting and Corporate Governance. Gothenburg: BAS Publisher School of Business, Economics and Law, University of Gothenburg.

Santoso, D. (2015), Regents/Mayors are asked to Immediately Follow Up on BPK Findings. Available from: http://www.rri.co.id/madiun/post/berita/216130/daerah/bupatiwalikota_direquested_segera_tfollow up_ttpp.html. [Last accessed on 2016 Oct 11].

Schwalbe, K. (2006), Introduction to Project Management. Boston, Massachussetts, USA: Cengage Learning, Inc., Course Technology Thomson Learning. Inc.

Simkin, M.G., Rose, J.M., Norman, C.S. (2013), Accounting Information Systems. 12th ed. Singapore: John Wiley.

Smith, M.L. (2003), Fresh look at accounting ethics. Accounting Horizons, 17(1), 47-49.

Subowo, H. (2015), Local Government HR Has Not Complied with the Arrangement of Accrual-Based SAP. Accessed from: http: //www.memarangpos.com/07/11/2015/government-financial-regional-government-regional-non-compulsory-sap-based-accrual-basis-659129. [Last accessed on 2016 May 14].

Spira, L.F. (1999), Ceremonies of governance: Perspectives on the role of the audit committee. Journal of Management and Governance 3, 231-260.

Subagyo. (2015), Provincial Government of B. Commitment to Apply Accrual Based Accounting at Area. Accessed from: http://www.babelprov.go.id/content/pemprovberkomasarana-apply-accounting-based-accruals-in regions. [Last accessed on 2016 May 25].

Sugiyono, D. (2008), Business Research Method, 12th Print. Bandung: Alfabeta Publisher.

Sugiyono, D. (2011), Qualitative Quantitative Research Methods and R and D. Bandung: Alfabeta.

Sumarjati, A. (2013), BAKN DPR: Many Budget Irregularities in BUMN. Available from: http://www.nasional.kontan.co.id/news/bakan-dpr-Banyakdeviationsbudget-in-bumn. [Last accessed on 2013 Nov 20].

Susanto, A. (2013), Sistem Informasi Akuntansi. Structur Pengendalian Risiko Pengembangan, 2nd ed. Bandung: Lingga Jaya.

Susanto, A. (2015), What factors influence the quality of accounting information ? International Journal of Applied Business and Economic Research, 13, 3395-4014.

Talebnia, G., Salehi, M., Jabbarzade, S.K. (2011), A study of the impact of collapse on financial reporting quality of listed companies: Some Iranian evidence. African Journal of Business Management, 5(10), 3858-3865.

Uchok, S.K. (2012), Perusahaan BUMN Masih Takut Transparansi Laporan Keuangan. Available from: http://www.tempo.co/read/newstempobisnis bermasalah/28465. [Last accessed on 2012 Jan 20].

Umar, H. (2006), Strategic Control, Building a KKN Free Indonesia, Performing, and Good Governance. Jakarta: Trisakti University Publisher.

Van Beest, F., Braam, G., Boelens, S. (2009), Quality of Financial Reporting: Measuring Qualitative Characteristics. Netherland: Nijmegen Center for Economics NiCE Working Paper.

Weiss, J.W. (2009), Business Ethics. A Stakeholder and Issues Management Approach. South Western: Cengage Learning.

Xiaohe, L., Enderle, G., editors. (2006), Developing Business Ethics in China. New York: Palgrave Macmillan. p163-173.

Zakaria, M., Haron, H., Ismail, I. (2010), Knowledge of ethics, perceived ethical problems and ethical udgments. Journal of Financial Reporting and Accounting, 8(1), 50-64.