

HUMAN RESOURCE COMPETENCY AND LEADER'S COMMITMENT AS DETERMINANT OF EFFECTIVENESS IN FIXED ASSETS ADMINISTRATION TOWARD QUALITY OF FINANCIAL STATEMENT

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Abstract

Administration of fixed assets (state property/BMN) in Indonesia still one of the the major problems for some of government agencies to achieve the best opinion from the Audit Board of the Republic of Indonesia (BPK-RI). This study aims to examine the determinants that influence the effectiveness of the fixed assets administration which include the Human Resource Competency and Leader's Commitment, as well their implications on the Quality of Financial Statements in Regional Office of National Land Agency in West Nusa Tenggara Province (BPN NTB). This Research used a quantitative method with an explanatory approach. A total of 55 respondents were taken with purposive from employees who are directly related in fixed assets administration and financial reporting in BPN NTB wherein analyze helped by using SEM-PLS application with software WarpPLS 3.0. The result showed that the Human Resources Competency and Leader's Commitment have a positive and significant impact toward the effectiveness of the fixed assets administration; likewise the Effectiveness of Fixed Assets Administration also has positive and significant impact toward Quality of Financial Statement in BPN NTB. The testing also showed that Effectiveness of Fixed Assets Administration have role as a mediating effect factor for relation between Human Resource Competency toward Quality of Financial Statement whilst not for relation between Leader's Commitment toward Quality of Financial Statement. The Implication of this study can be used as a notice or warning system for financial managers or policy maker in government agencies that to get the better quality in financial statements and get the best opinion from BPK-RI, effectiveness of fixed assets administration are very crucial factor, and the effectiveness of fixed assets's administration can be acheive by the synergized between competent human resource and support of leaders who have a strong commitment.

Keyword: Human Resource Competence, Fixed Assets Administration, Quality of Financial Statement, National Land Agencies (BPN)

1. Introduction

The Public Sector Finance Report is a representation of the financial position of transactions conducted by a public sector entity. The public sector financial report specifically aims to approve and provide relevant information in decision making and demonstrate the entity's accountability for the use of entrusted resources (Bastian, 2011: 388). Wulandari (2009) disclose that financial statement needs to get more adequate acknowledgment therefore public sector financial report must go through the stages of examination (audit) by the government agency authorized in conducting the evaluation of financial statements and provide opinion called Audit Board of the Republic of Indonesia (BPK RI).

The highest achievement of BPK-RI opinion is Unqualified opinion (WTP) and until recently was being hunted because government agencies that receive WTP means getting a good image, good work and get a lot of rewards and benefits (www.infopublik.com, 2015). Unqualified opinion is not easy to achieved, it is still a lot of national agencies and local government agencies are still not able to achieve this best opinion of BPK-RI. One of the main problems hindering the achievement of WTP opinion in the Ministres/State Institution in Indonesia is still dominated by issues related to the management of fixed assets. The latest data on the Central Government Financial Statement (LKPP) up to the first semester of 2016 records that 13 government Ministries/Institutions (K/L) have not properly managed inventory, 11 K/L present different fixed assets between the State Asset Accounting System (SIMAK-BMN) with the actual circumstances, and 10 K/L are still accounted for tangible intangible assets in the tangible fixed asset account (not reclassified) to be incompatible with the existing SAP (BPK RI, IHPS I 2016). Vijay (2015) discloses that the problem of fixed asset management is quite consistent in many governments K/L, fixed asset management issues include on: fixed assets with unsupported data, unspecified fixed assets, inadequate administration of fixed assets, undone inventory and fixed asset valuation. Fixed assets exist are not known and controlled by other parties, and also incompatibilities of recording system applications with the actual conditions.

Financial Statements of the Ministry of Agricultural and Spatial Planning / National Land Agency of the Republic of Indonesia (ATR / BPN) in the last three years has gained unqualified opinion, yet the problems fixed asset management still has problems that do not go over. In year of 2014, the Regional

Office of the National Land Agency of West Nusa Tenggara Province (BPN NTB) becomes the sample of quotation test for the examination of general financial report at the Ministry of ATR/BPN as well as the Regional Office of D.I. Yogyakarta, D.I Aceh, DKI Jakarta 1 and West Java. At that time Ministry of ATR/BPN managed to obtain an unqualified opinion with some recommendations regarding the management of fixed assets that must be resolved. Two years later, in 2016 a re-examination of financial statements held conducted by the Prime Inspectorate of Ministry ATR/BPN and re-discover the same problems related to the management of fixed assets. Achievement of unqualified opinion for the first time ideally is a momentum for change and improvement of fixed assets management issues that become previous findings, however until the third year since the recommendations are given, findings on the same issues related to fixed assets management still exists.

Repeated findings on the issue of fixed assets within certain timeframe become a sign of the ineffectiveness of the implementation of fixed assets (state property/BMN) administration and financial reporting. As known that administration of fixed assets (State Property / BMN) is one part of the implementation in government-regulated policy, namely Government Regulation (PP) Number 27 year 2014 about State / Local Property Management and PP Number 71 year 2010 about Government Accounting Standards (SAP). Edward III (1980) revealed that to ensure the effectiveness of policy implementation need to note a few things: (1) Communication, (2) Resources, (3) Disposition and (4) Structure of Bureaucracy. Communication means how the policy is delivered by the policy maker to the implementer, while the Resource related human resources and supporting resources to sustain implementation of the policy, then Disposition is the attitude of acceptance or commitment of someone to run a policy, while Structure Bureaucracy is a system that consist of separated functions system (fragmentation) and Standard Operational Procedure (SOP) that exist in the organization.

Edward III (1980) further explained that the determinant of the success or failure on a policy implementation is the implementor in this case is the staff or Human Resources (HR/SDM), without implementor the policy is can not be implemented properly. In addition, the HR must have an acceptance attitude towards the policy to be enforced. The attitude of acceptance is related to commitment, if the implementer does not accept and does not implement the policy that has been established then the

success of policy implementation will not be achieved. In practice, successful implementation of BMN Administration is an important thing, so it needs to consider factors that influence the effectiveness or success of BMN administration such as HR Competency and Leaders's Commitment.

Output in the administration is the creation of information BMN which is a complementary component of the primary financial statements. Scott (2009) revealed that useful financial statements are contains information that support decision making. Qualitative characteristics of quality financial statements include Relevant which includes the usefulness, completeness and timeliness. Without the implementation of the administration of BMN will hamper the completeness of the financial statements that also affect the quality of the financial statements themselves. Therefore, the effectiveness of the administration BMN becomes crucial in the formation of useful information for the preparation of quality financial reports comprehensively.

This research is motivated from the complicated problem from administration of BMN especially at Regional Office BPN NTB which also influence toward the Quality of Financial Statement that disclosed. The problem of fixed assets or BMN is a classic problem that occurs in the financial reporting of the Indonesian government. This problem has existed since the beginning of financial reporting implemented in Indonesia. Problems often arise because of the complexity of solving the problem of BMN Administration which has implications on the quality of the resulting financial statements.

Simamora and Halim (2012), Haryanto (2013), Pandey (2014) Pekei et al. (2014), Syukri (2015), Evicahyani (2015) and Sudiarianti (2015) revealed that Human Resource Competence (HR) affects the management of fixed assets or BMN and Quality Financial Report, lack of good HR competency will cause problems to the management of BMN and the quality of Financial Statement. Different results submitted by Arfianti and Kawedar (2011), Wardani (2012), Hanafi (2013) and Fikri et al. (2016) who said that the HR Competence has no effect on asset management and Quality of Financial Statements.

Research on Leadership Commitment conducted by Simamora and Halim (2012), Silviana (2012), Pandey (2014), Mulyanto (2014), and Syukri (2015) revealed that Leaders's Commitment influence BMN management and Quality of Financial Statement, even Hermawan (2015) And Vijay (2015) argue that the problem of fixed assets and the quality of financial statements arise due to lack of support or

commitment from the leadership. While different things delivered by Yeny et al. (2016) which stating that the Leaders's Commitment has no effect on the management of BMN and Quality of Financial Statements.

Considering the various problems related to the BMN Administration which have implications on the Quality of Financial Statements and also look of the inconsistency of previous research results, this research will analyze the influence of Human Resources Competence and Leaders's Commitment to the Effectiveness of BMN Administration along with its implication to Quality of Financial Statement. This study also tried to test the role of mediation in Effectiveness of BMN Administration within supporting the Quality of Financial Statemen from the two antecedent variables tested previously.

This study aims to analyze and provide empirical evidence of the influence of HR Competence and Leaders's Commitment to the Effectiveness of BMN Administration and its implications on the Quality of Financial Statements. In addition, this study also aims to see the role of Effectiveness in BMN Administration in mediating HR Competency and Leaders's Commitment toward Quality of Financial Statements.

This research contributes in practice and literature of governmental accounting. On the practical side, the results of this study can become an input for the evaluation of policies related to the BMN administration and Financial Reporting, especially for Government Organizations in Indonesia both of the Central Government and Local Government to achieve better quality on financial reporting. For the accounting literature, the results of this study are expected to support the theories used in explaining the problems and obtaining empirical evidence, and also can explain the inconsistency of previous research by using more comprehensive theories.

2. Theoretical Framework and Hypothesis Development

2.1. Policy Implementation Theory

The policy implementation theory proposed by Edward III (1980) notes that the main issue of public policy is the lack of attention to the implementation of public policy, without effective policy implementation, decision makers will not be successful (Nugroho 2015: 225).

Edward III (1980) proposed four factors that determine the success or failure of a policy implementation that is: (1) Communication, in this case is the process of delivering policy information from policy makers to policy implementers and obtaining a response from the communicated policy; (2) Resources, which concerns the availability of resources to support the effectiveness of implementation and include human resources, support resources and budget resources, information resources and authority resources; (3) Disposition, related to the willingness of actors to implement policy, disposition is also often related to attitude of acceptance and commitment of implementor; and (4) Bureaucratic structure, involving the separation system unit according to specialization or fragmentation, and effective implementation is based on Standard Operating Procedures (SOP) were made (Widodo, 2013: 96-110).

2.2. Decision Usefulness Theory

Decision Usefulness Theory proposed by Scott (2009: 59) is an approach to financial statements that have the view that if the financial statements can not be presented theoretically correct concept, at least can be prepared financial statements that can provide more benefits such as decision-making. Decision usefulness approach focuses on two important questions: first, who the users of financial statements, and secondly what users decision problem of financial statements. Presentation of the financial statements are appropriate to the particular needs of the users will be able to support the decision-making process so that the financial statements would be more useful or valuable (Scott, 2009: 59).

2.3. Quality Of Financial Statement.

The qualitative characteristics of financial statements in accordance with Government Regulation (PP) Number 71 years 2010 is a normative measures need to be implemented in the accounting information so that it can fulfill its purpose. There are four characteristics as normative requirements necessary for the government's financial statements to meet the desired quality, namely: (1) Relevant, which the financial statements have value information that can be used to make decisions, including the usefulness, timeliness and completeness; (2) Reliably, where the information in the financial statements meets aspects of honesty, verifiability and neutrality; (3) Understandability, where the financial

statements prepared can be understood by stakeholders; and (4) Comparability, both compared to the previous years the report and compared with the financial statements of other agencies.

2.4. Effectiveness Of State Property (Bmn) Administration

Effectiveness is used as a benchmark for comparing plans and processes with the results achieved (Sabrina, 2014), so as to determine whether or not a program or activity is required to have effectiveness measures. According to Cambell J.P (1980) measurement of effectiveness in general and the most prominent are: (1) Program success; (2) Successful objectives; (3) Satisfaction with the program; (4) The level of input and output; And (5) Achieving the overall goal.

State Property (BMN) According to Government Regulation Number 27 year 2014 about the Management of State Property / Regional Property is all goods purchased or obtained at the expense of the State Revenue and Expenditure Budget or derived from other legal acquisitions. BMN Administration is one part of the process of managing BMN consists of: (1) *Inventory*, ie conducting census or data collection and recording of state property; (2) *Bookkeeping*, including recognition and registration in accounting; and (3) *Reporting*, including collecting and preparing periodic reports related to BMN (PP 27, 2014).

2.5. Human Resources Competency

Spencer and Spencer (1993) define competence as a basic characteristic of individual behavior that relates to effective reference criteria and / or superior performance in work or situation, including components such as Motive, Character, Self Concept, Knowledge and Expertise. Furthermore Spencer & Spencer (1993) classified components of Character, Motives, and Self-concepts as hidden components that are not easily explored, while Knowledge and Skills are visible and easily assessed and developed through education and training. Human resource competence includes its capacity, ie the ability of a person or an individual, an organization (institutional), or a system to perform its functions or authorities to achieve its objectives effectively and efficiently through its skills, knowledge, attitude and experties (Evicahyani, 2015).

2.6. Leaders Commitment

Commitment is a unanimous determination to do something with real intentions. In the context of governmental organization, the agreement and determination in question is the agreement or attachment to commit to do something well and together in achieving the goals of the organization (Suwaningsih, 2016). Leadership factor is crucial especially in government organization because bureaucratic organization, with obedient leadership and obedience to law will influence subordinates to participate in implementing the regulation (Simamora & Halim, 2012).

According to Arvan (1999, in Mulyanto, 2014) there are 5 (five) key principles in building commitment that can be done by a leader, namely: (1) Maintain or increase self-esteem, meaning the leader must be smart to keep the subordinate's self-esteem is not damaged; (2) Responding with empathy; (3) Asking for help and encouraging engagement, meaning subordinates besides needing to be rewarded also want to be involved in decision making; (4) Expressing thoughts, feelings and rational; And (5) Provide support without taking over responsibility.

2.7. Human Resources Competency And Effectiveness Of Bmn Administration

The main components that determine the success and failure of the implementation of the policy is the implementation by implementer that is the existence of human resources or staff (Edward III, 1980: 53). In order to ensure the effective implementation of a policy, Human Resources must also have the expertise and knowledge (Widodo, 2014: 99). BMN Administration as a policy implementation of PP 27 year 2014 requires the competence of human resources to ensure the effective implementation of BMN administration. Abdullah et al. (2011), Haryanto (2013), Pandey (2014), Pekei et al. (2015), Syukri (2015), Hermawan (2015), and Vijay (2015) revealed that the competence of human resources or human factors affect the management of fixed assets and lack of human resources both in terms of quantity and quality is the cause of ineffective management of fixed assets both in agencies central governments and local governments. Based on the description above, the hypothesis drawn are as follows:

H1: *Human Resource competence has a positive effect on the Effectiveness of BMN Administration*

2.8. Leaders Commitment And Effectiveness Of Bmn Administration

Edward III (1980) reveals one component to ensure the effectiveness of policy implementation is the existence of Communication and Disposition. Disposition is about the willingness or attitude of acceptance which also means commitment or an attachment in implementing a policy (Nugroho, 2015: 226). Leadership is one dimension of competence that determines the success of the organization, the essence of leadership is a way of influencing others to achieve the goals of the organization together, where it takes the role of communication in it. Effective leaders will be able to perform their functions well, not only demonstrated by the power they have but also shown by the leader's concern for the welfare and employee's satisfaction with the leader and the improvement of the employee's quality (Zuhdan, 2015). Strong leaders commitment supported by good communication techniques will increase the level of possible achievement of effectiveness in the implementation of policy implementation, one of them in terms of administration of BMN. Simamora and Halim (2012) and Syukri (2015) disclose Leaders Commitment is a factor affecting to asset management of South Tapanuli Regency, especially after the expansion of the region into a separate district. Hermawan (2015) and Vijay (2015) revealed that the lack of leadership support is one of the factors causing the management of fixed assets in the Ministry / Institution in Indonesia. Based on the description above, the hypothesis arranged is as follows:

H2: *Leaders Commitment has a positive effect on the Effectiveness of BMN Administration*

2.9. Effectiveness Of Bmn Administration And Quality Of Financial Statement

Decision usefulness theory (Scott, 2009: 59) reveals the financial statements that are not limited in term of reporting on paper, but the information contained in the financial statements can be useful and supportive of decisions. Fixed assets or BMN is one part of the main financial statement component of Balance Sheet. Achieving effectiveness in the implementation of BMN administration will produce useful information and needed in supporting the achievement of a comprehensive quality financial reporting. Simamora & Halim (2012), Wardani (2012) and Febrianti (2016) revealed that asset management will affect the quality of the resulting financial statements. Based on description above, the hypothesis can be drawn as follows:

H3: *Effectiveness of BMN Administration has a positive effect on Quality of Financial Statement.*

2.10. The Role Of Mediation On Effectiveness Of Bmn Administration Against The Quality Of The Financial Statements

The decision usefulness approach emphasizes two important questions, one of it is what decisions users need to make financial statements (Scott, 2009:59). In practice the fulfillment of financial statements comprehensively in one of the main financial statements ie balance sheet, can only be completed after the required information about fixed assets or BMN has been equipped first. If the effectiveness of BMN administration which resulting a BMN report is not achieved or is hampered, it will affect the preparation of a qualified Financial Statement as required. Policy Implementation Theory proposed by Edward III (1980) expresses the importance of an implementing actor in determining the failure and success of a policy implementation, as well as the acceptance attitude symbolized to a commitment of a leader as the motor of the organization. Thus, in order to establish a quality financial statements, information from effective BMN administration is required, while the determinant in creating a good effectiveness of BMN administration is competent human resources and leader with a strong commitment. Haryanto (201), Pandey (2014), Syukri (2015) Sudiarianti (2015) and Evicahyani (2015) found that human resources competitiveness directly affect the quality of financial statements, while Silviana (2012), Mulyanto (2014), Pandey (2014) And Syukri (2015) revealed that Leadership Commitment directly influence the performance of preparation of Financial Report and Quality of Financial Statement. The presence of effectiveness of BMN Administration as a mediator should be able to strengthen the relationship between Human Resources Competence and Leaders Commitment to Quality of Financial Statement. Based on the description above, then prepared the hypothesis as follows:

H4: *Human Resource Competency has an indirect effect on Quality of Financial Statement through Effectiveness of BMN Administration.*

H5: *Leaders Commitment has an indirect effect to the Quality of Financial Statements through the Effectiveness of BMN Administration.*

3. Research Method

3.1. Population And Sample

This study selected the object on the Regional Office of the National Land Agency of West Nusa Tenggara Province (BPN NTB) because based on the phenomenon that occurs, BPN NTB is one unit of ministries / institutions operating in local areas experiencing repeated findings about the problem of BMN administration relatively the same in the range 2 years.

Respondents of this study were taken by census of Civil Servants who directly related to the implementation of BMN administration and financial reporting at the Office of BPN NTB. BPN NTB consists of 11 working unit (Satker) with purposive respondents consisting of: (1) Head Sub-Division of Administration, (2) Head of General Affairs, (3) Head of Financial Affairs, (4) Operator of SIMAK-BMN Application, and (5) Operator of SAI Application. Details of respondents can be seen in Table 1:

Table 1. Detail of Population dan Sample

NO.	NAME OF WORKING UNIT	Criteria of Population dan Sample					Total Respondents
		Head Sub-Div Adm.	Head of General Affairs	Head of Financial Affairs	Operator SIMAK-BMN	Operator of SAI	
1	Regional Office BPN NTB	1	1	1	1	1	5
2	District Land Office of Mataram City	1	1	1	1	1	5
3	District Land Office of West Lombok	1	1	1	1	1	5
4	District Land Office of Central Lombok	1	1	1	1	1	5
5	District Land Office of East Lombok	1	1	1	1	1	5
6	District Land Office of North Lombok	1	1	1	1	1	5
7	District Land Office of West Sumbawa	1	1	1	1	1	5
8	District Land Office of Sumbawa	1	1	1	1	1	5
9	District Land Office of Dompu	1	1	1	1	1	5
10	District Land Office of Bima City	1	1	1	1	1	5
11	District Land Office of Bima	1	1	1	1	1	5
JUMLAH		11	11	11	11	11	55

Source: Processed Data from Regional Office of BPN NTB, 2017

3.2. Variable And Measurement

This research consisted of two exogenous variables: (1) Human Resource Competency (SDM) and (2) Leaders Commitment (PIM), and two endogenous variables: (1) Effectiveness of BMN Administration (BMN) and (2) Quality of Financial Statement (KL). This research uses questionnaire instrument with scale of Semantic Differential Scale 7 (seven). Questionnaires used to measure the variables in this study elaborated from theory and from previous researchers that relevant and related

with the variables used. Definition of operationalization variables and measurement research can be presented in Table 2.

3.3. Data Analysis

Analysis of data obtained from survey and questionnaire will be analyzed by confirmatory factor analysis method (CFA) using Structure Equation Modeling - Partial Least Square (SEM-PLS) with assisted by WarpPLS 3.0 application. The structural model of this study can be seen in Figure 1.

Table 2. Variables Operationalyze Definition and Measurements

Variables	Definition	Indicator	Measure- ment	Number of questions	Reference
1) Quality of Financial Statement (KL)	The normative measure that needs to be realized in the accounting information so as to meet its objectives	a) Usefulness (KL1) b) Timeliness (KL2) c) Completeness (KL3) d) Honestly (KL4) e) Verifiability (KL5) f) Neutrality (KL6) g) Understandability (KL7) h) Comparability (KL8)	Semantic Differential Scale 7	8 questions	PP 71 year 2010 (SAP); Evicahyani (2015)
2) Effectiveness of BMN Administration (BMN)	Description of success rate in inventory, bookkeeping and reporting of fixed assets or State Property (BMN)	Success of the Program a) Inventory Program (BMN1) b) Bookkeeping Program (BMN2) c) Reporting Program (BMN3) Success of The Target d) Inventory Target (BMN4) e) Bookkeeping Target (BMN5) f) Reporting Target (BMN6) Satisfaction in program g) Satisfaction in Inventory (BMN7) h) Satisfaction in Bookkeeping (BMN8) i) Satisfaction in Reporting (BMN9) j) Level of input and output (BMN10)	Semantic Differential Scale 7	10 questions	Mahmudi (2010); PP 27 year 2014 (Managing BMN/D); Campbel J.P. (1977 in Sabrina, 2014)
3) Human Resources Competency (SDM)	Abilities possessed by the implementer include aspects of knowledge, skills and work attitude according to established standards	a) Educational Background (SDM1) b) Understanding of rules and standards (SDM2) c) Inteaction to system (SDM3) d) Training and Technical Guidance (SDM4) e) work experience (SDM5) f) Attitude of acceptance (SDM6)	Semantic Differential Scale 7	6 questions	Spencer & Spencer (1993); Evicahyani (2015)
4) Leaders Commitment (PIM)	The degree to which managers and employees believe and accept the goals of the organization and will remain or will not leave the organization.	a) discipline intention in working hours (PIM1) b) Improving skills (PIM2) c) Sense of responsibility and courage to sacrifice (PIM3) d) Empathy against subordinates (PIM4) e) Vision and Inovation (PIM5)	Semantic Differential Scale 7	5 questions	Mathis and Jackson (2006); Mulyanto (2014); Pandey (2014)

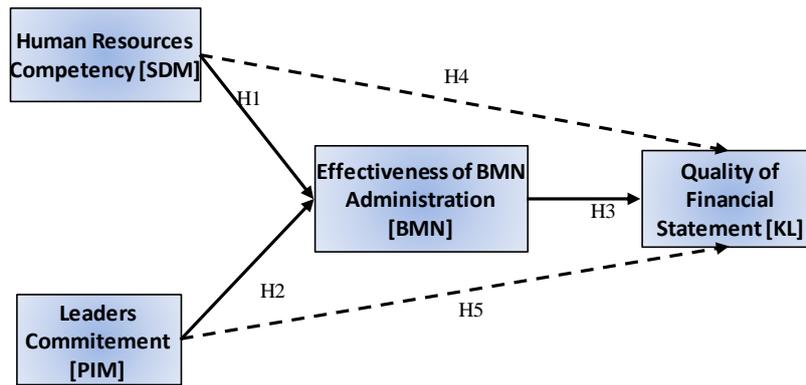


Figure 1. Structural Research Model

4. Result And Discusion

4.1. Description Of Research Object

The object of this study is the Working Unit on the Regional Office of BPN NTB which is represented by the Administrative Division of the General Section and Financial Section. There are 11 working units that become the respondents of the research with each working unit represented by 5 people selected based on their relationship with the BMN administration and financial reporting at the Regional Office of BPN NTB. This is done to obtain empirically adequate answers about the BMN administration and financial reporting at the Regional Office of BPN NTB.

4.2. Evaluation Of Measurement Model (Outer Model)

Evaluation of the measurement model (outer model) is done to assess the validity (Convergent Validity and Discriminant Validity) and the reliability (Composite Reliability) of each research construct on the indicator side (Ghozali and Latan, 2012: 77). Validity test aims to know that the constructs both in one construct with other constructs are not highly correlated, include Discriminant Validity and Convergen Validity.

Reliability testing aims to determine whether the questionnaire used to obtain the primary data is considered reliable. There are two criteria that must be met, namely: (1) Composite Realibility is greater than 0.70 (> 0.70); and (2) Cronbach's Alpha is greater than 0.70 (> 0.70). However, in exploratory research, a score of 0.60 is acceptable (Sholihin and Ratmono, 2013).

Result of outer model evaluation at the first phase, there is one indicator that does not meet Convergent Validity because it has a loading factor value below 0.6 (<0.6), while 28 other indicators are stated to meet Convergent Validity because it has a loading factor value > 0.60 (above 0, 6). Indicators that do not meet Convergent Validity are KL1 (0.437), then the unqualified indicator is dropped from the model and retested.

The result of outer model in phase II model shows that all loading factors meet Convergent Reliability. Furthermore, the second phase test also gets the value of Discriminant Validity and Composite Reliability which meet the requirements of Average Variable Extraction (AVE)> 0.5) (more than 0.50) and Composite Reliability and Cronbach's alpha> 70 (more than 0.70). Following results show the output of Convergent Validity, Discriminant Validity and Composite Reliability testing using WarpPLS 3.0 in Figure 2.

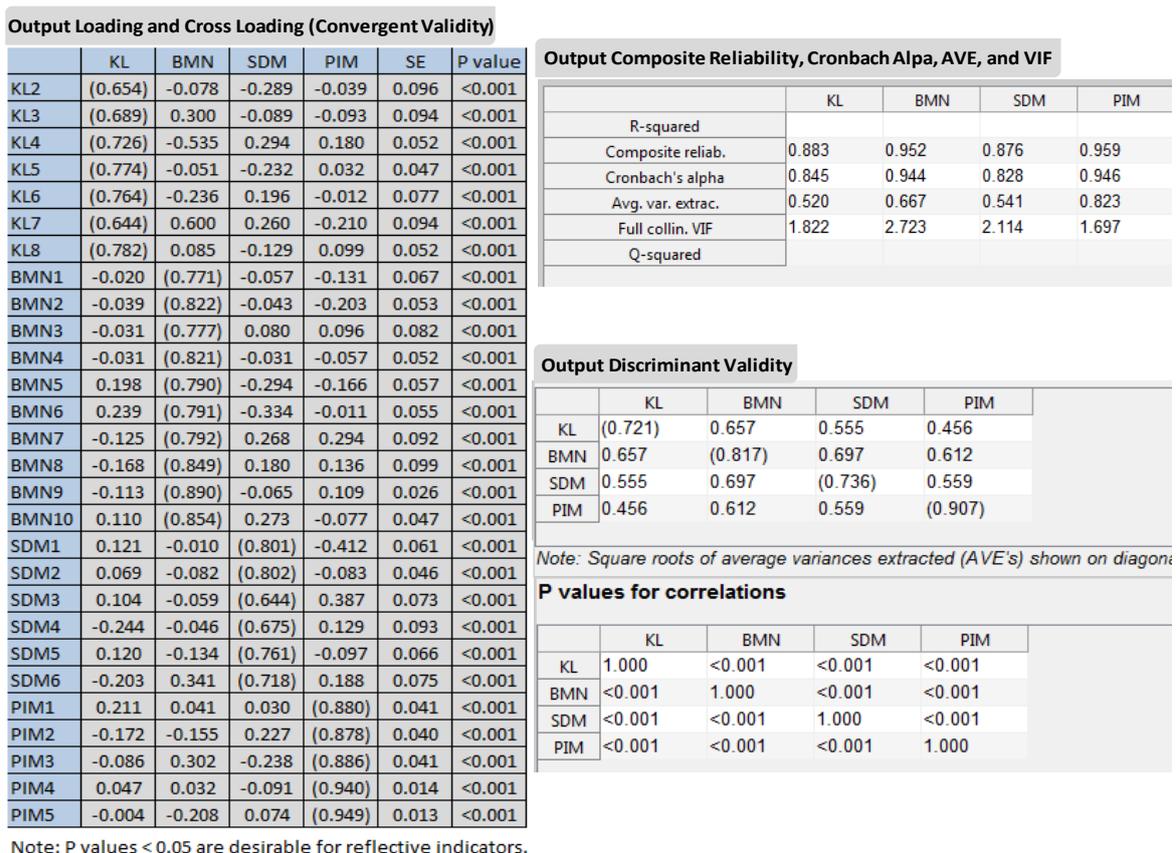


Figure 2. Output Outer Model Testing

4.3. Evaluation Of Structural Model (Inner Model)

The evaluation of structural model (inner model) aims to predict the relationship between latent variables. Inner model testing is done after the fulfillment of the conformity criteria model according to the theory with empirical data (fit model). Table 3 shows the results of the fit model indicator, Average Path Coefficient (APC), Adjusted Average R-Squared (AARS), and Average Variance Inflation Factor (VIF). Based on Table 3 the fit model criteria have been met, ie the value of p value for APC and AARS is smaller than 0.05 and the AVIF value is less than 5. (Kock, 2012).

Table 3: Output of Fit Model Testing

Indicator	Value	P-value	Criteria
APC	0,327	>0,001	>0,05
AARS	0,550	>0,001	>0,05
AVIF	2,031		AVIF > 5

Source: Output fit model with WarpPLS 3.0 (analyzed data, 2017)

Based on the results in Table 3 that showing the results of the fit model was fulfilled next can be further tested the structural model (inner model). Inner model measurements in WarpPLS 3.0 applications are done in two stages, there is direct measurement (direct) and indirect measurement (indirect). Inner model test will produce the path coefficient size, size of coefficient determination with R-Squared, and significance with p-value. The output obtained from the WarpPLS 3.0 application is presented in Figure 3:

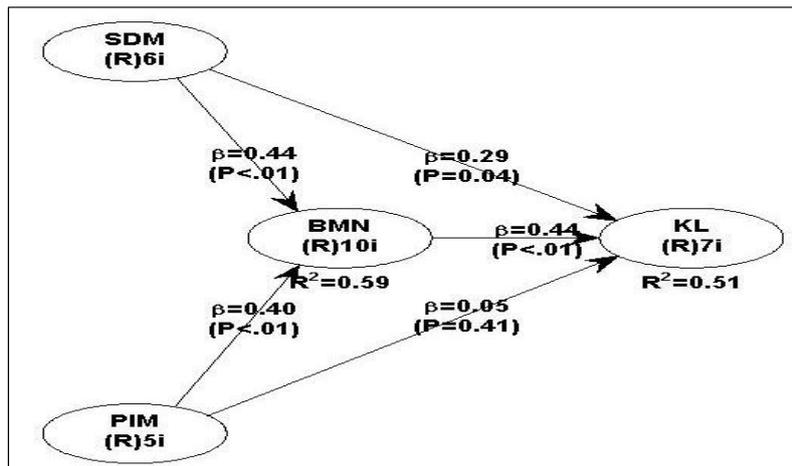


Figure 3: Output of Inner Model Testing

4.4. Result Of Hypotheses Testing

Based on the estimation of the structural model as shown in Figure 3, it can be summarized the results of hypothesis testing as in Table 4 below:

Table 4. Output Analyze Data by WarpPLS to Estimate hypotheses

	Path Coefficient	P-Value	R-Squared	Direction	Significance	Status	Conclusion
Direct Effect							
SDM => BMN	0,444	<0,001	0,586	+	Significant		H1: Supported
PIM => BMN	0,404	0,002					H2: Supported
BMN => KL	0,443	0,003	0,514	+	Significant		H3: Supported
SDM => KL	0,456	0,003	0,434	+	Significant		
PIM => KL	0,263	0,052					+
Indirect Effect							
SDM => BMN => KL	0,291	0,044	0,514	+	Significant	<i>Partial Mediation</i>	H4: Supported
PIM => BMN => KL	0,054	0,412					+

Sourch: Output WarpPLS (Analyzed Data, 2017)

Result of test on hypothesis 1 shows that the direct correlation of Human Resource Competence with Effectiveness of BMN Administration is significant at $p = <0.001$ (under 0.05) with positive value coefficient of 0.444. Thus, hypothesis 1 that is Human Resource Competence have a positive effect on the Effectiveness of Administration BMN can supported.

Result of test on hypothesis 2 shows that the relationship of Leaders Commitment variable with Effectiveness of BMN Administration directly is significant at $p = 0,002$ (under 0,05) with positive value coefficient 0,404. Thus, hypothesis 2 that is Leaders Commitment has a positive effect on the Effectiveness of BMN Administration can be supported.

Result of test on hypothesis 3 shows the correlation between Effectiveness of BMN Administration variable with Quality of Financial Statement is significant at $p = 0,003$ (below 0,05) with positive value coefficient 0,443. Thus, the hypothesis 3 that the Effectiveness of BMN Administration has a positive effect on Quality of Financial Statements can be supported.

Testing of hypotheses 4 and 5 requires testing the mediation effect or indirect testing performed by 2 stages, namely first, testing the direct relationship; second, tests indirectly; Then both results will be

compared (Kock, 2012). In addition, the requirement to know the size of the mediation effect can be known by the Sobel method whose output results have been provided by WarpPLS 3.0.

Result of test on hypothesis 4 shows indirect correlation between variable of Human Resources Competency and Quality of Financial Statement through Effectiveness of BMN Administration is significant with p value of direct test is 0,003 (under 0,05) with positive coefficient 0,456 and p at indirect test is 0,044 (under 0,05) with a positive coefficient on 0.291. Value of path coefficient between direct and indirect test was decreased but still yielded significant p-value so that it can be known that mediation is Partial Mediation (Sholihin and Ratmono, 2013). Based on the Sobel calculation whose value is available in the WarpPLS 3.0 application, the p value for the mediation relationship is 0.005 (below 0.05) proves that there is a mediation effect of the Human Resources Competency relationship on Quality of Financial Statement through Effectiveness of BMN Administration although only a "Partial Mediation". Result of Partial Mediation means that Effectiveness of BMN Administration is not the only mediator for Human Resources Competency against Quality of Financial Statement. Thus the hypothesis 4 that is Human Resource Competence indirectly influence the Quality of Financial Statement through Effectiveness of BMN Administration can be supported.

Result of Testing on hypothesis 5 shows positive result but not significant at p value on direct test is 0.052 (above 0,050) with coefficient 0,263 and p at indirect test is 0,412 (above 0,05) with coefficient 0,054. Criteria of mediation effect calculation can be done if the direct relationship between the two variables measured is significant, otherwise the mediation measurement can not be continued (Kock, 2012 in Sholihin and Ratmono, 2013). Thus, Hypothesis 5 that Leaders Commitment indirectly influence the Quality of Financial Statements through the Effectiveness of BMN Administration can not be supported.

4.5. Discussion

The test results show that the relationship between Human Resource Competence affect the Effectiveness of BMN Administration. This proves that the better competence of human resources owned by agencies in this case is Civil Servants, more guaranteed to level of success on effectiveness of

BMN Administration. This is in line with Abdullah et al. (2011), Haryanto (2013), Pandey (2014), Pekei et al. (2014), Syukri (2015), Hermawan (2015), and Vijay (2015).

These findings also prove the theory of policy implementation proposed by Edward III (1980) which suggests that the staff or human resources is the determinant of the success and failure of the implementation of a policy. According to Spencer and Spencer (1993) human resource competencies that visible like knowledge, skills and attitudes are aspects that can be improved and developed. With sufficient training, technical guidance or other learning methods can help improve the competence of human resources to ensure the better effectiveness of BMN administration.

Test results also show that there is a relationship between Leaders Commitment influence on the Effectiveness of BMN Administration. This also proves that with high leadership commitment will be able to guarantee the success or effectiveness the implementation of BMN administration. These findings are in line with Simamora and Halim (2012), Syukri, (2015), Hermawan (2015) and Vijay (2015) studies which reveal that Leaders Commitment affects asset management. Furthermore, the results that obtained supported policy implementation theory proposed by Edward III (1980) which states that the success of policy implementation is supported by communication and disposition or attitude (commitment) of implementor to implementing the policy. According to Maxwel (2001) a good leader is a leader whose have a strong commitment, therefore to ensure the success / effectiveness of the implementation in BMN administration is determined by the leaders of the existing agencies. Leaders who are in charge of government agencies should increase their commitment to work so that the expected results can be achieved.

The other finding result is that there is a correlation between Effectiveness of BMN Administration to the Quality of Financial Statement. This proves that more effective implementation of BMN administration held, will have an impact on the improvement of the quality of the financial statements presented. This result is in line with the opinion of Simamora & Halim (2012), Wardani (2012) and Febrianti (2016) that stating management of BMN affects the Quality of Financial Report of both central agencies and regional agencies. This finding also reinforces decision usefulness theory presented by Scott (2009) which reveals that good financial statements are seen from the substance of the information

contained in it, and how that information can be useful in decision making. With the effectiveness of the implementation on BMN administration will create the information needed to form a quality report required in a comprehensive (major) financial statement. PP 71 year 2010 implies the qualitative characteristics of the government agency's financial report is relevant that includes can be useful in decision making, complete and timely. If the effectiveness of BMN administration can work well then the relevant aspects will be realized. Thus to create a better quality of financial statements it is necessary to increase the effectiveness of BMN administration.

Indirect test results show that Effectiveness of BMN Administration serves as a mediator for Human Resources Competence (although only partly / small) toward Quality of Financial Statement. This proves that a good Human Resources Competence also supports the creation of the quality of financial statements generated though Effectiveness of BMN Administration is not the only mediator to improve the quality of these financial statements.

This results is in line with studies that occur by Haryanto (2013), Pandey (2014), Syukri (2015), Sudiarianti (2015) and Evicahyani (2015) which stated that the Human Resources factor affects the Management of Fixed Assets and Quality of Financial Statements. In addition to the Effectiveness of BMN Administration as a mediator will break the focus of financial reporting and hinder the creation of good report quality. Therefore, an internal control system (SPI) is required that can regulate the operating system both in terms of division labor of each field and also implementable supervision so that the implementation can run healthy and well. The policy implementation theory proposed by Edward III (1980) mentions Bureaucratic Structures that contain fragmentation or segregation of functions and establish SOP as standards of implementation of work. It is intended as a control and balancing system that must be adhered to in ensuring the success of a BMN administration and also affect the Quality of Financial Statements that produced by governments agencies.

Results testing on role mediation Effectiveness of BMN Administration on the relationship of Leaders Commitment with Quality of Financial Statement shows the result which has no effect. This is probably caused by the Leaders Commitment indicator in this research has not been able to measure the leaders commitment in producing the quality of good financial statement or indeed the leadership

commitment can not affect the Quality of Financial Statements generated on the real situation. Another possibility is empirically that there is a weakness in the Leadership Commitment on BPN NTB causing repeated inspection findings to occur. This research finding is not in line with Silviana (2012), Mulyanto (2014), Syukri (2015), Pandey (2014) and Syukri (2015) that stating Leadership Commitment affects the Management of Fixed Assets and Quality of Financial Statements.

Indicators of Leaders Commitment that used in this research include: Intention and Discipline, Ability to Improve Skill, Responsibility, Discipline, Empathy, Vision and Innovation. The possibility of these indicators can not directly measure the Quality of Financial Statement but can indirectly improve the Quality of Financial Report because the result obtained is Full Mediation.

5. Conclusion, Implication And Limitation

This study aims to analyze and obtain empirical evidence on the influence of Human Resource Competency and Leader Commitment to the Effectiveness of BMN Administration and the implications of the Effectiveness of BMN Administration on the Quality of Financial Statements. In addition, this study also aims to see the role Effectiveness of BMN Administration in mediating Human Resource Competency and Leaders Commitment toward Quality of Financial Statements. The result of this research is that Human Resource Competency and Leader Commitment have influence to Effectiveness of BMN Administration, as well as Effectiveness of BMN Administration have affect on the Quality of Financial Statement. Results of this study also show that the Effectiveness of BMN Administration mediates the Human Resources Competency on the Quality of Financial Statements but not for the Leaders Commitment to the Quality of Financial Statements.

Implications of this research can be used as a reference in policy making by giving warning that the effectiveness of BMN administration is crucial, especially in forming the quality of good financial statement or in this case is to get the best opinion from BPK-RI that is Unqualified opinion. Implication of this study is also give a proposition that to ensure the success / effectiveness of BMN administration requires the synergy between good human resource competence and strong leaders commitment.

This study has several limitations. First, the inherent limitations of the questionnaire survey method is that the answers given by the respondent may be different from actual facts and behaviors. Other

limitations are related to the research locus where the scope of research is taken only in the area of BPN NTB only so that it needs to expand the research area to get a better picture of the results. Future research can try to explore with qualitative or mixed methods to get a deeper and more comprehensive picture of the factors that affect the effectiveness of BMN administration and Quality of Financial Statements. In addition, future research may also add more complementary variables and indicators to examine the effect of Effectiveness of BMN administration and Quality of Financial Statements such as Supervision, Incentive or Compensation or Internal Control. Future research can also expand the sample of research so that the results of research can be more generalize on the Regional Devison Work Unit at Local Government and the Organization of Ministries / Agencies in the Cental Government of Indonesia.

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