THE ROLE OF ENTERPRISE RESOURCE PLAN (ERP) CONFIGURATION TO THE TIMELINESS OF THE FINANCIAL STATEMENT PRESENTATION

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Abstact: The objective of this research is to describe the role of Accounting Information System of Enterprise Resource Plan (ERP) of the Regencial Government in North Sumatera to the Timeliness in Presenting the Financial Statement.

This research was conducted by doing survey and direct field identification using variable of ERP module implementation including Cash Receipt System, Cash Expenditure, Vendor System, Procurement System and Staffing System to the Timeliness of Financial Statement Presentation of Local Government. The sampling technique used is by analyzing the Regional Finance Department in North Sumatera. The result is expected to support and give recommendation of the importance of ERP module in facilitating the process of compiling the Financial Statement of Local Government. The system implementation of the ERP module including the support from management support, process, technology, data and brainware is effective in processing the transaction data and presenting the financial statement information of the local government in North Sumatera. Partially, the process variable (X_2) and data variable (X_4) influences significantly in processing the transaction and presenting the financial statement information in North Sumatera.

Keyword: Enterprise Resource Plan (ERP), Financial Statement, Cash Receipt System, Cash Expenditure, Vendor System, Procurement System and Staffing System.

1.1 BACKGROUND

Enterprise Resource Plan (ERP) is a system integrating the process of each line in organization with transparency and high accountability. ERP is one of basic requirements for each organization. In company level, Enterprise Resource Plan is something that is commonly conducted. In non-profit organization scale like governmental organizations, ERP is something that needs to be applied to create accountability that the government talks about nowadays. In public organization scale there is a distant difference, the function of ERP is applied where all depend on the process model and also the regulatory functionally in public organization.

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Enterprise Resource Plan tends to back-up the supporting activities than the core process (Ziemba, Ewa and Iwona Ob[31]k, 2013; Becker, Kugeler, and Rosemann, 2003; Porter, 1985). Nowadays, the local government has implemented semi-ERP system such as Regional Management Information System and Regional Finance Information System, to manage the regional assets (Muda dan Dharsuky, 2015). Efficiency is one of the significant factors in each organization. The allocation amount of the government expenditure now and the need to get opinion of Unqualified Opinion from the investigator institutions needs to be supported by the integrated system. The Enterprise Resource Plan implementation is one of the ways to increase the efficiency. The ERP implementation seems difficult to implement and in fact the ideas to implement the integrated system is still like something new. Therefore, there is a need to do a research to analyze and evaluate the Enterprise Resource Plan implementation particularly in governmental world.

The implementation of Government Accounting Standard in managing the regional finance affects the progress report of the implementation of Regional Government Budget in which prior to this based on Ministry of Home Affairs Decree Number 29/2002 the year-end accountability report is just in the form of Regional Government Budget calculation report, the calculation memo of the Regional Government Budget, cash flow report, and regional balance sheet then based on the Regulation of Ministry of Home Affairs 21/2011, the accountability of the Regional Government Budget implementation is realized in the form of financial statemnet consisting realization report of Regional Government Budget, regional balance sheet, cash flow report, and notes on financial statement based on SAP. Besides, nowadays, it is requested to be ready to apply accrual-based SAP, which is the requirement for ERP implementation that is commonly conducted by companies.

In addition, the society can use the government financial statement to conduct supervision in wide sense according to the position and the authority. The legislative institutions will use it to supervise the management done by the government in which its implementation can be done for the discussion of the budget and the request for accountability report of the government. The Regional Representative Council can also conduct supervision based on its authorities. The people can generally conduct supervision widely, that eventually can be used to vote in the election.

Based on the research result of Wibisono (2009) the success of ERP implementation is measured by the resulted financial statement. The success of the system is in line with the perception of the users and it affects the service. The conclusion result of the research states that the implementation of ERP system can increase the timeliness in publishing the financial statement. It shows that the

ERP system can shorten the process cycle of making the financial statement due to its ability in coordinating and integrating the information data in all business processes. A basic question is whether the non-profit organizations like local government is ready to run ERP in which right now the local government has applied Regional Management Information System in which its component applies one of ERP infrastructures. Romney and Steinbart (2015) suggest that to implement ERP system the infrastructure should cover production, payroll, sales, purchasing and financial reporting. All of those activities are integrated and conducted altogether in one window.

Alzoubi (2011) discusses about The Effectiveness of the Accounting Information System Under the Enterprise Resources Planning (ERP) stating that the ERP system will support and cerate the effectivity of the organization. The researches need to be followed-up in the scale of governmental organization so that the extent of the effectiveness of the system can be identified so that it can create effectiveness to the local government. The problem of this research is

"How is the system implementation of the ERP model including the support of management, process, technology, data and brainware in the effectiveness of transaction data process and the presentation of financial statement of the local government in North Sumatera?"

LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Enterprise Resources Planning (ERP)

In a complex organization with numerous departments running their own functions and objective, there are many times of information bias, perception bias, and decision-making bias among the department units. ERP is a concept, technique, and methods to integrate all departments and functions of a company into an autonomy system of the whole business processes to increase the effectiveness and efficiency of a company. The benefits of ERP are to integrate whole business, flexibility in organization to transform and increase the turnover, create analysis and better capability, and use the latest technology.

In ERP, there is a paradigm shift from the isolated conventional system to the use of technology information that is more integrated in producing the information flow that runs well in organizational and departmental level.

The role of the information is absolute; some fundamental characteristics of information are accuracy (precision), relevancy (truth), and availability. However, some studies note some problems of the conventional management information
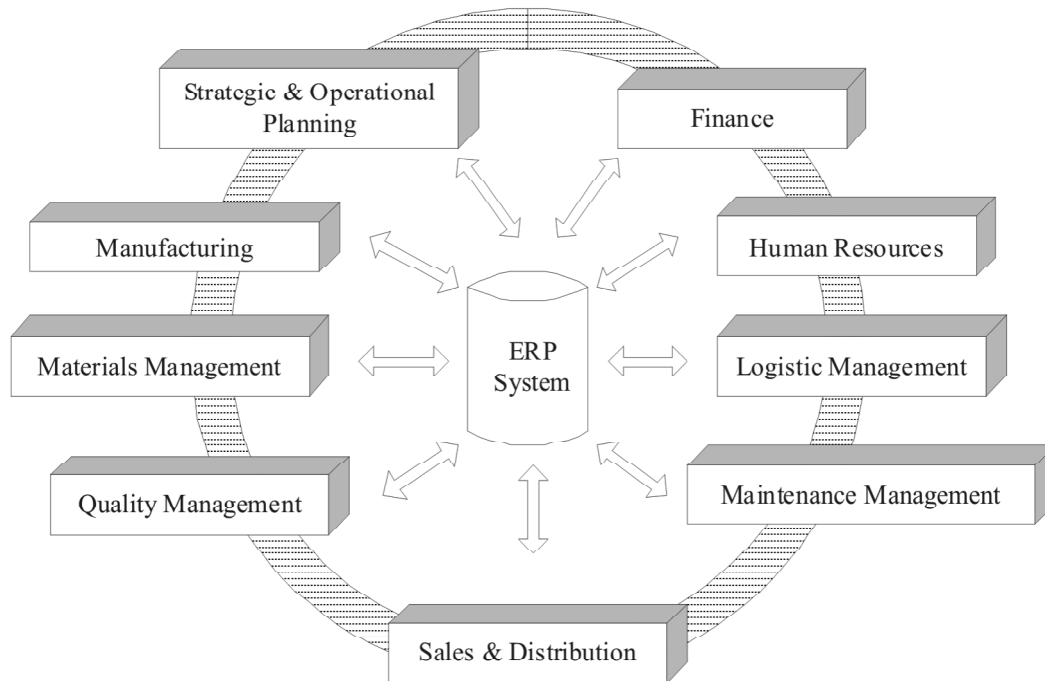
Figure 1. Information Integration through ERP System
Source: Loudon and Loudon. Management Information Systems, 14/e. (2014).

system, which are providing only determined source data so that misinformation occurs often among the departments and the problem of the limitation of the data analysis. ERP implementation has some risks related to the project size, technology application, structure, stability, strategy and the users. The costs that are possibly included are the replacement cost of the old system to the new system, training cost and facility improvement cost, consultant cost and implicit cost like depression cost due to system change. Critical Success Factor (CSF) is a parameter in measuring the performance of a function of ERP in a company. The assumption used is that ERP function developed by the company itself independently without involving the consultant or third party is still considered as ERP application.

Based on the method of CSF (Critical Success Factor), the success factors in ERP are categorized into five groups, as follows (Loudon and Loudon, 2014):

1. Management/organization, including commitment, education, involvement, team selection, training, and roles and responsibilities

2. Process; including alignment, documentation, integration, and process redesigning

3. Technology, including hardware, software, system management, and interface

4. Data, including main files, transaction files, data structures, and maintenance and data integration
5. Personnel, including education, training, skill development, and knowledge development

2.1.2 CSF (Critical Success Factor) Method as the Success Factors in ERP

Loudon and Loudon (2014) suggest that Critical Success Factor (CSF) is a parameter in measuring the performance of a function of ERP in a company. The assumption used is that ERP function developed by the company itself independently without involving the consultant or third party is still considered as ERP application.

1. Management/Organization

Management/Organization is the factor seen from the effects of internal management seriousness to the success of the ERP system implementation. The organization will put its management lines to control the ERP implementation in the company.

2. Process

Process is the occurring internal factor that supports the company performance in the process that is related to the human, machine, product, material and the system.

3. Technology

In ERP system, the technology factor becomes the significant factor, because ERP is identical with the computerization system and is against the manual system.

4. Data

Data factor is factor related to the files and data in the company, both data in the past and data that will be done in the future. Therefore, with the existence of the data, the process cycle in the company can be done well if it is integrated from each department in the ERP implementation.

5. Human

In ERP system, besides technology there is another influencing factor, which is human factor. Human is a doer or active object to reach success. Nowadays the organization does not realize the importance of human quality in a company, in the aspects of skills, knowledge, education, and others (Maksum, *et. al.*, 2014). Therefore, there is a need to increase the awareness for the management that the

human factor really influences especially in the ERP implementation. Besides, there is an awareness of the employees that working is not just for money but also to improve themselves.

2.2 Prior Research Review

Matrix of the prior research result that is almost related to this research can be identified in Table 1, as follows:

Table 1
Prior Research Review

No.	Year	Researcher	Title	Variable	Research Review
1.	2011	Ali Alzoubi	The Effectiveness of the Accounting Information System Under the Enterprise Resources Planning (ERP)	Accounting, ERP systems, Internal Control, Quality of Information.	The researcher used means and frequencies to describe the sample of the study and the questionnaire responses besides test to test the hypotheses of this study. The results showed that the integration of accounting information system within the ERP system improves the quality of accounting outputs and the internal control in companies. More studies are required on this field to support the result of current study and to expand the accounting literature on this issue. Companies are also recommended toadopt ERP systems because it will improve their performance.
2.	2013	Ewa Ziemba dan Iwona Ob[31]k	Critical Success Factors for ERP Systems Implementation in Public Administration	Business process, public administration, critical success factors, business process management, enterprise resources planning, ERP, BPM, CSF, government processes.	Research findings concerning critical success factors for ERP systems implementation in public administration in Poland are shown. The results obtained from this research may prove to be helpful for researchers and scholars in developing studies on ERP systems supporting processes in public administration as well as government agencies interested in implementing ERP systems.

No.	Year	Researcher	Title	Variable	Research Review
3.	2011	Dantes, Gede Rasben and Zainal Arifin Hasibuan	The Impact of Enterprise Resource Planning (ERP) System Implementation on Organization: Case Study ERP Implementation in Indonesia	ERP Implementation, Strategic Impact, Tactical Impact, Competitive Advantage	ERP implementation gave more impact to tactical level than to strategic level. This is derived from data analysis using Spearman rank test which show that ρyx^1 = 0.167 (not significant with $p < 0.05$) and ρyx^2 = 0.813 (significant with $p < 0.01$). Thus, specifically for Indonesian companies, the present study shows that ERP implementation acted only as a support toward the core business instead of creating a competitive advantage. The reasons behind these findings are: 1. the companies were not ready to make big investment for implementing all modules in ERP, including the specific modules; 2. the companies were afraid to fail in their implementation, so they chose to implement the modules only for supporting the core business; 3. the ERP implementations were not driven by the organizations' business needs, but by the technology itself; 4. there were other external factors which forced the companies to implement ERP, such as: government policy, bank policy and political issue.
4.	2014	Maksum, A., Hamid, R., and Muda, I.	The Impact of Treasurer's Experience and Knowledge on the Effectiveness of The Administration and Preparation of the Accountability Reporting System in North Sumatera	Treasurer's experience, knowledge and the effectiveness of administration	The Impact of Treasurer's Experience and Knowledge on the Effectiveness of the Administration and Preparation of the Accountability Reporting System in North Sumatera.

No.	Year	Researcher	Title	Variable	Research Review
5.	2014	Rasdianto dan Nurzaimah	Analysis on the Timeliness of the Accountability Report by the	The role of treasurer capacity on human resources and its tenure of services, facilities and infrastructures, the regulation, intensity of training administration and accountability of each of the task forces (SKPD)	The result of the study has revealed that simultaneously and partially the variables of treasurer's human resources and tenure of service, facilities and infrastructure, the regulation regulation and intensity of the training administration and the accountability of the treasurers in North Sumatera are significantly affect to the timeliness of the regional government's financial report.
6.	2001	Poston, Robin and Severin Grabski	Financial impacts of enterprise resource planning implementations	Internal coordination costs, decision information costs, External coordination costs/market transaction costs and contractual	This research finds, after accounting for within-firm variances, no significant improvement associated with residual income or the ratio of selling, general, and administrative expenses in each of the 3 years following the implementation of the ERP system.

2.3 Conceptual Framework

Conceptual framework in this research is as follows:
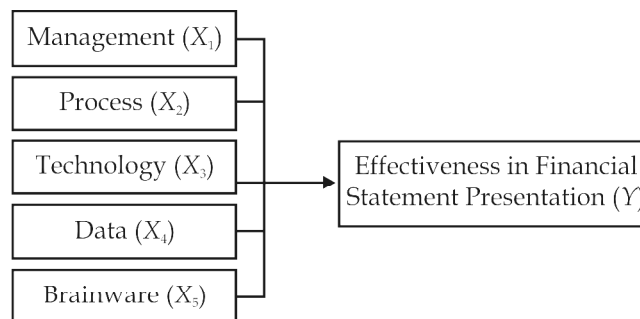

Figure 2 : Conceptual Framework

2.4 Research Hypothesis

The hypothesis of this research is "System implementation of ERP model including the support from management, process, technology, data and brainware is effective in processing the transaction data and presenting the financial statement information of the local government in North Sumatera."

RESEARCH METHOD

3.1 Research Type

The type of this research is quantitative descriptive which explains the relation between independent variable and dependent variable.

3.2 Population and Method in Sampling

The population in this research includes all synchronization operators of Information Technology of the regencial and local government in North Sumatera selected based on convenience sampling. The research sample is 132 persons of synchronization operators of Information Technology of Regional Assets and Financial Management (RAFM) Department in several chosen regencies in North Sumatera.

3.3 Operational Definition and the Measurement of Research Variables

The variables of the research consist of free variable and bound variable. The operational definition and the measurement of the variable can be seen in the following table:

Table 2
Operational Definition and Variable Measurement

Variable	Operational Definition	Measurement	Scale
Effectiveness in Financial Statement Presentation (Y)	RWU compiles the financial accountability report in time for the RWU financial statement is compiled maximum 2 (two) months after the budget year is over, while the financial statement of the local government is maximum 3 (three) months after the budget year is over	(a) The financial statement of RWU consists of Budget Realization Report, Balance Sheet, and Notes on Financial Statement (b) The financial statement of the local government consists of Budget Realization Report, Balance Sheet, Cash Flow and Notes on Financial Statement (c) RAFM compiles the financial statement of the local government by combining the financial statements of the RWU	Interval

Variable	Operational Definition	Measurement	Scale
		(d) RWU and local government must compile the financial statement in time in which the financial statement of RWU must be compiled maximum 2 (two) months after the budget year is over, while the financial statement of the local government maximum 3 (three) months after the budget year is over	
Management/ Organization (X_1)	Involvement and determination of the leaders in implementing ERP	Including commitment, education, involvement, team selection, training, and roles and duties	Interval
Process (X_2)	Internal factors that occur support the company performance both in the process related to the human, machine, product and material and in the system	Including alignment, documentation, integration and process redesigning	Interval
Technology (X_3)	Computerization system and against the manual system Sistem komputerisasi dan berlawanan dengan sistem manual	hardware, software, management system and interface	Interval
Data (X_4)	Factors related to the files or data in the company, both data in the past and data that will be done	Major file, transaction file, data structure, and maintenance and data integration	Interval
Brainware (X_5)	Doer or the active objects to reach success	Education, training, skill development and knowledge development	Interval

3.4 Data Gathering Technique

Data gathering in this research uses primary data from the field respondents.

3.5 Data Analysis

The next step in this research is by conducting research modelling in structural equation modeling so that the indicator variables can be assessed in reflective and formative so that deeper theoretical testing can be conducted. The initial phase modeling used the model from the Structural Equation Modeling. Measurement

model describes the relation between the item and the measured construct. The measurement model has the satisfying model precision when the involved items are able to become the indicators of the measured constructs that are proved by the low measurement error value and the high assertiveness component value. The proposed statements are related with the tax revenue that is measured using Likert scale. With the Likert scale, the respondents are asked to answer each question with five levels of agreement, which are Really Disagree, Disagree, Neutral, Agree, and Really Agree.

1. Structural Equation and Specification

The implementation model of ERP system including the support from management, process, technology, data and brainware that is effective in processing the transaction data and presenting the financial statement information of the local government in North Sumatera can be described in the following equation:

$$EPDT\_Y = \gamma_1 \cdot DM + \gamma_2 \cdot P + \gamma_3 \cdot T + \gamma_4 \cdot D + \gamma_5 \cdot B + \varsigma$$

Note :

(a) *e* : Error Term

(b) *EPDT* (*Y*) : Effectiveness in Transaction Data Process (*Y*)

(c) *DM X*$_1$: Management Support

(d) *P X*$_2$: Process

(e) *T X*$_3$: Technology

(f) *D X*$_4$: Data

(g) *B X*$_5$: Brainware

γ : Gama, coefficient of the infleunce of exogenous indicator to the endogenous indicator

(h) ç : Zeta, galat model

The analysis of confirmatory factors for the indicator model will result in coefficient called standard loading or lambda value (λ). The lambda value is then used to see the suitability or compatibility of the instruments in forming a factor.

RESULT AND DISUCSSION

5.1 Data Description

The number of questionnaires given to the respondents is 211 questionnaires and conducted step by step. Then based on the time that has been determined, the questionnaires were asked back to be gathered. All questionnaires given can be returned and can be used as the data in this research.

Table 3: Questionnaire Distribution

Information	Number	Percentage
Questionnaire given	211	100%
Questionnaire returned	150	70%
Questionnaire not returned	61	30%
Questionnaire used in this research	150	70%

5.2 Hypothesis Testing

The system implementation of ERP model includes the support from the management, process, technology, data and brainware is effective in processing the transaction data and presenting the information of the financial statement of the local government in North Sumatera.

The result of the hypothesis testing states that the process variable (X_2) and data variable (X_4) are effective in processing the transaction data and presenting the financial statement of the local government in North Sumatera. In the partial statistical test with the critical value t at $df = (n - k)$, where n is the total sample and k is the number of independent variable including constant. To test the partial regression coefficient of each free variable individually, it can be seen from the following figure:
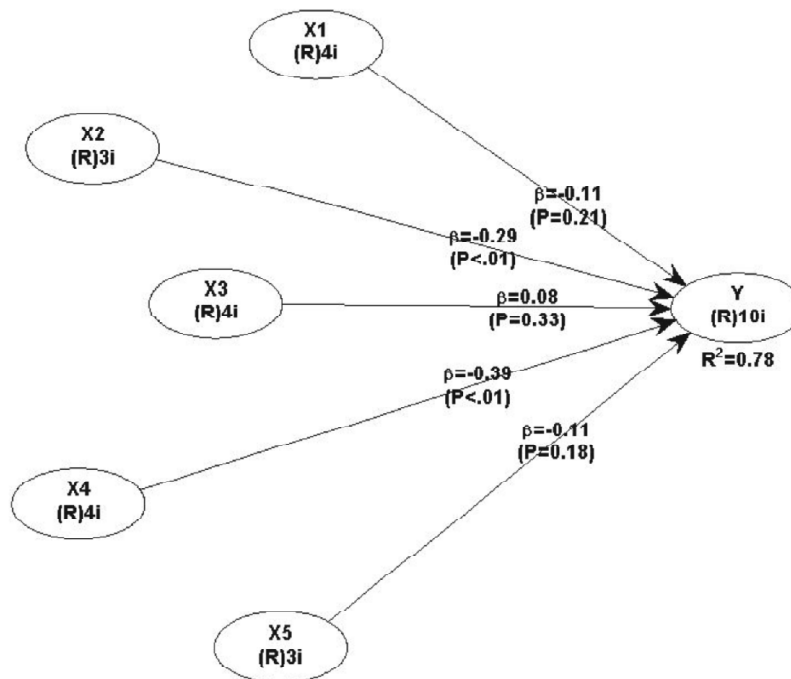

Figure 3: Result of WarpPLS Testing

From the description above, the equation of the multiple regression from the path coefficient is as follows:

$$Y = 0{,}11X_1 + 0{,}29X_2 + 0{,}08X_2 + 0{,}39X_2 + 0{,}11X_2 \, e$$

5.6.3 Determination Coefficient Test Result (R²)

Determination coefficient is used to test goodness of fit from the regression model that can be seen from the R Square value. R Square is only for the endogenous construct. For a group of laten predictor variables in the criterion variable then the Q-Squares indicator is used, usually called as Stoner-Geisser Coefficient (Sholihin dan Ratmono, 2013). The determination coefficient is as follows:

* Latent variable coefficients *					
R-squared coefficients					
X_1	X_2	X_3	X_4	X_5	Y
				0.779	

Source: Result of the WarpPLS Output. (2016).

5.6.4 Discussion

The most common financial transaction is the economy exchange with the external parties, for example selling goods and service, purchasing inventories, releasing financial liability, and cash receipt from the customer. The financial transaction consists of internal events for example depreciation of fixed assets, employee application, raw material, and overhead production process and inventory transfer from one department to another. Financial transaction is a routine common business activity. For example, thousand of transactions of a certain type (sales to the customers) can occur everyday. To handle such great volume efficiently, the company categorizes the same transaction types into transaction cycles. There are three transaction cycles that proceed most of the economy activity of the company.

1. Expenditure Cycle

Business activity that starts by obtaining raw materials, property, and employees by exchanging the cash is called expenditure cycle. Most of expenditure transactions are based on credit relationship among the trade partners. Actual cash expenditure is conducted at the same time with the acquiring of goods or service. This can last for days even weeks. Therefore, in system perspective, this transaction has two components: physical component (goods acquisition) and financial (cash expenditure to the supplier). Each component is processed by a different subsystem in that cycle.

- Purchasing system/debt. This system identifies the need to purchase physical inventory (like raw material) and conducts orders to the supplier.
- Cash expenditure system. When the liabilities are made by the system of deadline purchase, the cash expenditure system authorizes the payment, spend fund to the supplier, and record the transaction by reducing the cash and debt account.
- Payroll system. This system gathers the data of employing the workers of each employee, calculating the salary and make checks.
- Fixed assets system. The fixed assets system of the company proceed the transaction related to the acquisition, maintenance, and stopping the fixed assets. This is relatively permanent and collectively often represents the biggest financial investment done by organization.

2. Conversion Cycle

Conversion cycle consists of two main subsystems:

- Production system. This system involves planning, scheduling, and controlling the physical products through production process. This includes setting the material, job authorization that must be done, and giving the materials to the production, and directing the goods movement in the process through several stages of process.
- Cost accounting system. Cost accounting system monitors the cost information flow related to the production process. The information resulted by this system is used for assessing the inventory, budgeting, cost control, performance report, and managerial decision.

Manufacture company converts the raw materials to the finished products through the operational cycle of the formal conversion. The conversion cycle is usually informal and cannot be observed in service company and retail as well as government (public sector).

3. Revenue Cycle

A company sell finished products through the revenue cycle involving cash selling, credit selling, and cash receipt after credit selling. The transaction of the revenue cycle also has the physical and financial components. The main subsystems of the revenue cycle are:

- Processing sale orders. Most business sales are conducted in credit and involving the tasks like sales order preparation, crediting, product delivery (or providing service) to the customers, claiming the customers, and transaction record in accounts (credit, inventory, expenditure, and sales)

- Cash receipt. The processing of cash receipt involves cash collecting, saving cash in bank, and recording events in the account (credit and cash) Muda (2014).

4. Data Processing Cycle

One of the functions of Accounting Information System is to proceed the company transaction effectively and efficiently. In manual system (not computer based), the data are put into journal and ledger kept in the form of book. In a computer-based system, the data are put into the computer and kept in file and database. According to Romney (2014), "Data processing cycle is of four operations (data input, data saving, data processing and information output) done to the data to produce meaningful and relevant information. The enterprise resource planning (ERP) system is a system integrating all aspects of the organization activities such as organization, accounting, marketing, human resources, manufacture, and inventory management into a system. The modulated ERP system; company can buy each module to fulfill their special needs. ERP facilitates the information flow among various functions of the company business and to manage the communication among the outside stakeholders.

ERP is an computer-based integrated system used to manage the internal and external resources in the form of assets, financial resources, materials, and human resources. It is the software architecture that aims to facilitate the information flow between all business functions in the organization limits and manage the relationship among the outside stakeholders. Built on the database centralization and usually employing the common computation platform, the ERP system consolidate all operation business to become homogenous company and wide system environment. The enterprise resource planning system overcomes these problems when this system integrates all aspects in the company operations with traditional SIA. Most of the big and medium organization use ERP system to coordinate and process their data, business process, and resources. ERP system gathers, processes, and saves the data and provides information needed by the manager and internal parties to measure the company. The ERP program is very helpful for the company to have wide business process by using the divided management database and reporting tools. Business processes are a group of activities that need one or more types of input that will produce output in which this output is the value for the consumers. The ERP software supports the efficient operation from the business processes by integrating activities from all business including sales, marketing, manufacturing, accounting, and staffing.

The ERP system integrated information and information-based processes in a part or inter-parts in an organization or company. The ERP system consists of some parts or inter-parts of an organization or a company. The ERP system consists

of several subsystems (modules) which are financial system, distribution system, manufacture system, inventory system and human resource system. Each subsystem is connected to a centralized database that keeps various information needed by each subsystem. The subsystem represents a functional part from a company's organization. According to Ziemba (2013), the ERP system has some characteristics as follows:

1. ERP system is a software package designed in client-server environment both traditional (desktop-based) and web-based.
2. ERP system integrates the most existing business process.
3. ERP system proceed all transactions of the company organization
4. ERP system uses database in enterprise scale to save data
5. ERP system allows the users to access the data in real time

In several cases, the ERP is used to integrate transaction process and planning activities. Therefore, ERP must support various languages and accounting system in numerous countries. ERP should support certain industries (for example: SAP is able to support various industries like oil and gas industry, health industry, chemical industry, and banking). ERP system can be in the centralized server or distributed in all modular units of the hardware and software that provide "service" and communicates to the local area service. Distributed design enables all business to gather the modules from the different vendors with no need of the placement of the complex copies, expensive computer system in some regions that will not use full capacity. The ERP module generally involve some aspects as follows:

- Financing (ledger and reporting system) – ledger, credit, debt, fixed assets, budgeting, treasury management, and preparation for the managerial report and financial report
- Human resources and payroll- human resources, payroll, remuneration, training, time and presence, benefits and government report
- Revenue cycle – sales order entry, shipping, inventory, cash collection, commission calculation
- Purchase to pay (expenditure cycle) – purchasing, receiving and inspecting inventory, inventory and management and cash expenditure
- Manufacture (production cycle) – engineering, production scheduling, raw material list, in process products, work cycle management, quality control, cost management, and manufacture and project process
- Project management – costing, cash collecting time and cost, work unit, activity management
- Customer relationship management – sales and marketing, commission, service, customers contacts and call center support

- System tools – tools to create main file data, create details of the confirmation flow, access control and so on
- Alat sistem – alat untuk membuat data file induk, membuat perincian arus konfirmasi, pengendalian akses dan sebagainya.

CONCLUSION AND SUGGESTION

7.1 Conclusion

1. The system implementation of ERP model including the support from the management, process, technology, data and brainware is effective in processing the transaction data and presenting the financial statement of the local government in North Sumatera

2. Partially, the process variable (X_2) and data variable (X_4) influence significantly in processing the transaction and presenting the information of financial statement of the local government in North Sumatera

7.2 Suggestion

1. This study researched the ERP implementation in government institutions, thus it is expected that the next research can investigate the ERP implementation outside the government institutions

2. The research measuring the system success in providing information has not been numerously conducted, so there is a need to conduct the research on how the system can provide precise and accurate information for the users, especially in financial information that is suitable with the prevailing accounting standard in Indonesia

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