

# akrual

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## Analysis of Local Government Financial Information Quality Based on Internal and External Factors

### Abstract

This study aims to analyze the quality of local government financial information through internal and external factors. This type of research is a descriptive research using primary data collected through a questionnaire using a Likert scale of 1-5. The location of this research is in *Madura Province*, *Bali Province*. The sample of this study consisted of the head of the *Madura* department and the accounting staff at each *Regional Block Office*, amounting to 27 people. The method of data collection in this research is multiple linear regression. The results showed that the transparency and working system has a positive and significant contribution of accounting information system, the role of financial audit has a positive and significant effect on the quality of local government financial reports. However, in the future can be developed through improvement and guidance to several aspects such as promoting the quality of government officials regarding a more independent regional financial reporting, financial audit through external audit and implementation of support material financial management that good, accessible and accountable government.

**Keywords:** *Accounting information quality, local government, internal audit.*

### INTRODUCTION

The increasing public demand for good government has encouraged the central and local governments to implement public accountability. The current phenomenon that occurs in the development of the public sector in Indonesia is the strengthening of accountability and demand for transparency of public institutions, both central and regional.

The form of accountability in government administration is regulated in Law Number 17 of 2003 concerning State Finance and Law Number 32 of 2004 concerning Local Government in the form of financial statements. Financial statements as a form of public accountability reflect the comprehensive condition of operational activities, financial position, cash flow and disclosure of items in the financial statements. Company characteristics are predictors of the quality of disclosures, evidence that can be applied to local governments. The characteristics of local governments can explain compliance with mandatory disclosure in financial reports, so that the characteristics of local governments are predictors of mandatory disclosure (Aparikhanah et al., 2017). Therefore, the information contained in the local government financial statements is useful and in accordance with the needs of the users (Hart, et al (2014), Huang, et al (2007), information will be useful if an information can suggest decision making and can be measured by users. The challenge faced by the public sector is providing information that can be used to monitor the accountability of local governments, which consists of financial accountability, managerial accountability, legal accountability, political accountability, and social accountability. The information provided in the financial statements must be equipped with appropriate disclosures so that it is publicly available and does not limit its responsibility. Disclosures are intended to provide information that is considered important in achieving financial

reporting objectives and to serve various parties who have different interests (Swardjono, 2011).

The quality of financial reports can be seen from the qualitative characteristics of financial reports. According to Government Regulation Number 21 of 2009, the qualitative characteristics of government financial reports which are normative perspectives as stated in the Government Accounting Conceptual Framework (Conceptual Framework of the Accounting) includes: under the terms performed by users of financial statements, Reliability, meaning that the information in the financial statements is free from bias (non-bias) leading users and material errors, presents fairly and honestly, and can be verified. Comparability, this means that the information contained in the financial statements will be more useful when compared to the financial statements of the previous period. Consistency, meaning that the information presented in the financial statements can be supported by same and explained in terms and terms after we adapted to the user's user working habits. Understanding the importance of the quality of financial reports is one form of improving policies that have been made and can be used as a measure in increasing individual competence. According to Yuliani, et al (2010), the low quality of financial reports can be caused by: increasingly the complexity that the number of the financial statements themselves. Local governments that do not meet the qualitative characteristics of government financial statements as required by Government Regulation No. 21/2009 will result in regional losses, potential regional losses, lack of revenue, administrative weaknesses, inefficiency, and ineffectiveness (Fitriani & Widyadani, 2017).

According to the structure of the Local Government, what is meant by the head of the entity is each head of Regional Work Units as an accounting entity and each report as a reporting entity. Regional Work Units as an accounting entity that has the obligation to record, maintain, and account for income, expenditure, assets and other than such that occur within the Regional Work Units. In the government sector, such a position must be filled in by the right person, who has a professional main function, in addition to understanding accounting, the use of information technology can also improve the quality of local government financial reports. To achieve accountability and transparency in regional financial management, the use of information technology is a necessity that must be met in helping the speed, efficiency and efficiency of data management. In order to implement a fast and accurate information delivery process with the aim of producing good financial reports, the central and local governments are obliged to develop and adapt advanced information technology. Currently, Regional Work Units has utilized information technology that produces an information system, which provides information for regional financial functions that can be accessed, managed and utilized by various parties and the wider community (Diani, 2018).

In accordance with the Government Regulation of the Republic of Indonesia Number 25 of 2009, the Regional Financial Information System hereinafter abbreviated as RFD is a system that documents, administers, and processes regional financial management data and other related data that information presented to the public and as material for decision making. This is in the framework of planning, implementing, and reporting the accountability of local governments. The information system applied to local governments is the Regional Work Unit Management Information System, which is a computerized accounting information system for local governments (Diani, 2018). The use of regional financial accounting information system is very important in creating quality financial reports. Research by Fitriani & Widyadani (2017) shows that the use of accounting

information system has a significant positive effect on the quality of local government financial reports. Research conducted by Anggrawan & Yuliana (2018) shows that the application of Governmental Accounting Standards, the quality of human resources, internal control systems, the use of information technology, organizational commitment, the role of internal auditors, assets, financial health, and management of special school operational funds for the West Bandung Regency Education Office have an effect on the quality of financial reports. The research by Diani (2018) shows that the use of regional financial reporting information systems **has a significant effect on the quality of financial reports.** Research by Sari (2011) shows that there is a positive and significant influence between the use of the Regional Financial Accounting Information System on the quality of financial reports.

Professional work experience plays an important role in improving employee performance, especially in improving the quality of financial reports. The experience of employees working in an organization can increase their ability to do work. Experience is a process of learning and development of potential behavior both from formal and non-formal education or it can be interpreted as a process that leads a person to a higher behavior pattern. Someone's work experience shows the types of work someone has done and provides a good opportunity for someone to do a better job (Zainuddin et al., 2017). The longer work experience a person has, the greater the level of skills and knowledge a person has, so that it is hoped that the quality of work will be better and be able to complete the task well, this means that the person has good work effort rates. Employee experience in work will give the employee the ability to handle the main duties and functions and responsibilities contained in the organizational structure and the existing standard operating procedures. Furthermore, the main aims and functions of existing organizations are described in institutional cooperation with the ability to carry out the institutional tasks themselves. The work experience of financial (accounting) staff will make it easier in the work in this field. Professional work experience in accounting will increase work motivation and accuracy in the process of preparing financial statements. Research conducted by Chardiana & Abdillah (2017) shows that work experience **has a positive and significant effect on the quality of financial reports.**

The low quality of local government financial reports is also influenced by the role of internal audit, in this case the role of the inspection system in internal supervision in government. The Government Internal Supervisory Apparatus must be able to provide assurance that all accounting and financial reporting processes have been implemented in accordance with Government Accounting Standards to produce quality financial reports. The role of internal audit is to provide advice, services and quality assurance of financial reports, especially in making local government financial reports. One way to see whether the financial statements that have been incorporated are in accordance with Government Accounting Standards and in accordance with the expected quality can be seen from the auditor's opinion.

Based on the findings of the Supreme Audit Agency, there have been areas of accounting and reporting weaknesses consisting of inaccurate records, the process of preparing financial reports that is not in accordance with the provisions of SAP, the ability to late in submitting reports, the accounting information system and reporting are inadequate, and are supported by accurate financial sources (Bachris & Ridwan, 2021). It is hoped that the inspectors to the local government's internal audit can give local governments in preparing quality and reliable financial reports. It has been found by Yuliana et al. (2010)

Elmi (2014), Sari (2014), the research shows that the role of government internal auditors has a positive effect on the quality of government financial reports. The higher the application of an effective internal control system can reduce the level of fraud that occurs (Pratiwi & Arief, 2018).

In addition, based on the results of the audit by the Supreme Audit Agency on the Regional Government Financial Statements for the 2013 fiscal year, of the 10 entities audited by the Supreme Audit Agency, namely the Bali Provincial Government and nine districts / city governments. Building Regency Government for Regional Government Financial Report for Fiscal Year 2013 received a qualified opinion. The unqualified opinion received by Building Regency was the same as the opinion of the Supreme Audit Agency on the previous year's Regional Government Financial Report. The exception in this municipality is caused by several weaknesses, namely the ineffective implementation of the Regional Property Assessment activities. The implementation of the Census of Regional Property by the Government of Building Regency in 2013 has not started. The management and administration of the Building Regency Government's assets are not orderly. The Supreme Audit Agency also found non-compliance with statutory regulations in regional financial statements, namely unrecorded of regional official travel expenditures in 11 Regional Government Work Units amounting to IDR 422,874,384. There is a comment from the Third Party to the Building Regency Government regarding the Procurement of Goods and Services for the period 2008-2012 amounting to IDR 2,962,312,490.55. The Supreme Audit Agency also found several weaknesses in the Internal Control System and compliance with other laws and regulations, it's just that the weaknesses found are not sufficiently material to be made an exception (Hilbop, 2014). The results of the audit by the Supreme Audit Agency showed that the regional financial management of the Building Regency Government was quite good.

#### *Consistency and Quality of Local Government's Financial Reports*

Financial statement information will correlate with the quality of financial reporting itself. Stakeholders view financial reporting not only in terms of timeliness, but also in terms of its substance. Taking into account the importance of the quality of financial reports is one form of the implementation of the process that have been made. The quality of financial reports will be good if financial reporting is carried out based on Government Accounting Standards (Chandra & Asosiasi, 2011). Therefore, every part of government must be filled with human resources who have competence in understanding accounting and other related financial sciences. The higher the level of accounting understanding of the head of the financial institution and the accounting staff, the better the quality of the financial reports it produces (Elmi, 2014). Research conducted by Yuliani et al. (2010) shows that increasing understanding affects the quality of regional financial reports. Based on the description above, the hypothesis is as follows:

H1: Competency has a positive and significant effect on the quality of local Government's financial reports.

#### *Implementation of Accounting Information System and Quality of Local Government's Financial Reports*

The existence of an accounting information system network facility that is specifically designed for the preparation of financial reports, starting from journal recording,

budgets or financial reports, all have been systemized using a computerized system which will reduce the error rate in calculations and save time in the compilation process. Research conducted by Modarri et al (2018) show that the accounting information systems affects the quality of local government financial reports. In line with the research by Modarri et al (2018), Sari (2022) shows the same thing that there is a positive and significant influence between the use of Regional Financial Accounting Information System on the quality of financial reports. Based on the description above, the hypothesis can be formulated:

H<sub>1</sub> Implementation of accounting information system has a positive and significant effect on the quality of local Government's financial reports.

#### *Work Experience and Quality of Local Government's Financial Report*

To be able to meet the normative requirements required for government financial reports to have good quality, employee work experience is required. The longer the work experience, the more experienced an employee is, so it is feared that the quality of work will be better (Chandra & Abdillah, 2017). According to Ily (2009), the longer the work experience the more experienced an employee is, so it is hoped that the quality of work will be better. Professional work experience plays an important role in improving employee performance, especially in improving the quality of financial reports. The research research conducted by Chandra & Abdillah (2017) show that work experience has a positive and significant effect on the quality of financial statements. Based on the description above, the hypothesis can be formulated:

H<sub>2</sub> Work experience has a positive and significant effect on the quality of local Government's financial reports.

#### *The Role of Internal Audit and Quality of Local Government Financial Reports*

The role of the inspector greatly affects the quality of financial reports because inspection is an activity of assessing the organization's activity so that the organization carries out its main tasks and functions properly and correctly to achieve the stated mission. The role of the inspector on the government's financial reports will be able to assist local governments in preparing quality and reliable government financial reports (Gani, 2014). Research conducted by Denti (2014) shows that the role of internal audit has a significant positive effect on the quality of financial statements. Research by Triandipati (2018) regarding the role of internal auditor shows a significant effect on the quality of local government financial information. Based on the description above, the hypothesis can be formulated:

H<sub>3</sub> The role of internal audit has a positive and significant effect on the quality of local Government's financial reports.

### **RESEARCH METHOD**

Independent variables in this study are competency, implementation of accounting information systems, work experience, and the role of internal audit while the quality of financial reports is the dependent variable. Methods of data collection using a research instrument in the form of a questionnaire. The collected data is then tested first with normality and reliability tests. The qualitative analysis technique used is multiple linear regression analysis technique. The data source in this study is primary data obtained by using a structured list of questions in order to collect information from respondents through a

specification:

The population in this study was 45 Regional Work Units of Keloding Regency consisting of the Regional Secretariat, Council Secretariat, Department, Regional Development Planning and Investment Board, Regional Offices and Technical Institutions. The sampling technique used was judgment sampling. The judgment sampling technique is a sampling technique based on the researcher's judgment that the best party to be used as a research sample. The sample in this research consists of 41 Regional Work Units. Respondents in this study were the Head of Finance Subdivision (Head of Sub-Division of financial subdivisions) and accounting staff at each Regional Work Unit, so the number of respondents was 45 people from 41 Regional Work Units. The reason for choosing the respondents for the Head of Subdivision of Finance (Head of Subdivision of financial subdivisions) because they were responsible for making financial reports at each Regional Work Unit and was an important element in producing government financial reports, and directly involved in preparing financial reports and understanding the accounting process. The reason for choosing accounting staff respondents is because these staff use SIEMINDA (Local Office Accounting Information System) to prepare financial reports and are directly involved in the process of preparing financial reports and understanding the accounting process. Measurement of variables using a Likert scale with five alternative answers, each given a score as follows: score 5 = Strongly Agree, score 4 = Agree, score 3 = Doubt, score 2 = Disagree, score 1 = Strongly Disagree.

Descriptive statistics provide an overview or description of data according to the type, standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness (Cooper distribution) (Ghozali, 2011). The validity test in this study used Corrected Product Moment. It is an adjusted response, then the question test on reliability was  $r_{tt}$  test result. The validity test is done by correlating the factor score with the total score. If the correlation of each factor is proportional to the total ( $r > 0.30$ ) then the item is the item valid for if the correlation value is less than 0.30 then the item is deduced invalid (Supriyanto, 2014). The reliability test to test the validity is done by using the Pearson product moment correlation coefficient. The test result validity of the SPSS 19.0 for Windows software program. A questionnaire is said to be reliable or reliable if someone's answer to a specific item is consistent or stable over time. In this study, the reliability test uses Alpha-Coefficient, the **value of alpha coefficient is said to be reliable if the Cronbach Alpha value is greater than 0.400** (Sugiyanto, 2014). To test the hypothesis in this study, multiple linear regression analysis (multiple) were used to see the effect of several independent variables on the dependent variable which is formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \quad (1)$$

Information:  $Y$  = Quality of Local Government Financial Report;  $\alpha$  = Constant;  $\beta_1, \beta_2, \beta_3, \beta_4$  = regression coefficient of the independent variables  $X_1$  = Corruption;  $X_2$  = Implementation of Accounting Information System;  $X_3$  = Work Experience;  $X_4$  = Role of Internal Audit; the interpretation of the regression results analysis is as follows.

The  $t_{hitung}$  basically shows tests for the influence of the independent variables on the dependent variable by assuming the other independent variables are constant, with the assumption that if the value of  $t_{hitung} > t_{tabel}$  with a significance of 0.05 it can be concluded that partially the independent variable has a significant effect on the dependent variable or it

can be stated by  $F$ -test at significance level below 0.05. Conversely, otherwise, with a significant  $F$ -test, it can be concluded that partially the independent variable has a significant effect on the dependent variable or it can be stated by the  $R^2$  of the significance test is above 0.05 (Ghozali, 2011). The small Adjusted R Square value means that the ability of the independent variables to explain the variation in the dependent variable is very limited. A value close to 1 (one) means that the independent variables provide almost all the information needed to predict the variation in the dependent variable (Ghozali, 2011).

## RESULTS AND DISCUSSION

The general description of the research results through the description of the scope of competencies, implementation of regional financial accounting information systems, work experience, the role of internal audit, and the quality of financial reports are presented in Table 1.

Table 1. Description of the Scale of Each Variable

Variable	$X_1$	$X_2$	$X_3$	$X_4$	$X_5$
Mean	23.24	30.5	26.00	23.52	30.01
Minimum	10.00	17.00	13.00	14.00	47.00
Maximum	29.00	49.00	39.00	37.00	51.00
Standard deviation	5.37	7.24	7.27	7.10	7.17

### Research processed data

Based on Table 1: (1) On average, the variable score of the competency variable is close to its minimum value, then on average the accounting information system variable has almost the same value. (2) On average, the variable score of experience in the use of accounting information system is close to its minimum value, so on average the variable of the use of the regional financial accounting information system has almost the same value. (3) On average, the work experience variable score is close to the minimum value, so on average the work experience variable has almost the same value. (4) On average, the internal audit role variable score is close to its minimum value, so on average the internal audit role variable has almost the same value. (5) On average, the score for the quality of financial statements is close to its minimum value, so on average the variable quality of financial statements has almost the same value.

Based on the test results, the number of respondents to the questionnaire was 49 respondents so that the  $r$  reliability was 0.291 and the product moment correlation coefficient for each instrument item  $> r_{0.05}$ . So, every item of the questionnaire is valid. The reliability of the research instrument was assessed by means of the Cronbach Alpha Coefficient, which shows the internal consistency of the items underlying a variable. In summary, the results of the reliability test are presented in Table 2.

Table 2. Instrument Reliability Test Results



Variable	Cronbach's Alpha Coefficient
Competency (X <sub>1</sub> )	0.759 <sup>+</sup>
Implementation of Accounting Information Systems (X <sub>2</sub> )	0.692 <sup>+</sup>
Work Experience (X <sub>3</sub> )	0.776 <sup>+</sup>
The Role of Internal Audit (X <sub>4</sub> )	0.714 <sup>+</sup>
Quality of Financial Statements (X <sub>5</sub> )	0.650 <sup>+</sup>

#### Information: <sup>+</sup> Reliability (Alpha Coefficient) (0.60)

The results of the reliability test in Table 2 show that the instruments of competency, implementation of accounting information systems, work experience, the role of internal audit, and the quality of financial reports are reliable. The data distribution normality test was carried out on all variables. The recapitulation of the data normality test results is presented in Table 3.

**Table 3. Recapitulation of Data Normality Test Results**

List of Analysis	Multivariate Test		
	Statistic	df	Sign.
Competency	0.128	45	0.927 <sup>+</sup>
Implementation of Accounting Information Systems	0.177	45	0.676 <sup>+</sup>
Regional Finance			
Work Experience	0.114	45	0.732 <sup>+</sup>
The Role of Internal Audit	0.123	45	0.917 <sup>+</sup>
Quality of Financial Statements	0.125	45	0.661 <sup>+</sup>

Note: <sup>+</sup> data is normally distributed with a significance > 0.05

Based on Table 3, it shows that the data distribution in all units of analysis is normally distributed. The multicollinearity test can be tested using Variance Inflation Factor (VIF) for each of the independent variables presented in Table 4.

**Table 4. Summary of Multicollinearity Test Results**

Model	Collinearity Statistic	
	Tolerance	VIF
(Constant)		
Consistency	0.585 <sup>**</sup>	1.709 <sup>**</sup>
Implementation of Accounting Information Systems	0.270 <sup>**</sup>	3.699 <sup>**</sup>
Work Experience	0.183 <sup>**</sup>	5.467 <sup>**</sup>
The Role of Internal Audit	0.530 <sup>**</sup>	1.889 <sup>**</sup>

Information: <sup>\*\*</sup> Non Multicollinearity (tolerance value > 0.1)

<sup>\*\*</sup> Non Multicollinearity (VIF value < 10)

Based on Table 4, it is known that among the independent variables there is no correlation or multicollinearity does not occur in the linear regression model. To test for heteroscedasticity, the Glejser test can be used. A summary of the results of the heteroscedasticity test is presented in Table 5.

Table 5. Heteroscedasticity Test Results

Model		Linearized Coefficients		Standard Coefficients	t	Sig.
		B	Std. Error			
1.	(Constant)	0.828	1.177		0.225	0.282 <sup>**</sup>
	X <sub>1</sub>	-0.019	0.108	-0.128	-0.208	0.842 <sup>**</sup>
	X <sub>2</sub>	-0.003	0.016	-0.243	-0.327	0.367 <sup>**</sup>
	X <sub>3</sub>	0.016	0.067	0.187	0.258	0.799 <sup>**</sup>
	X <sub>4</sub>	0.077	0.035	0.173	0.327	0.417 <sup>**</sup>

Note: <sup>\*\*</sup> The significance value between independent variables and binary variable > 0.05

Based on Table 5, it can be concluded that there is no heteroscedasticity problem in the regression model.

In this study, four hypotheses were proposed. Hypothesis testing uses multiple linear regression analysis. The recapitulation of the results of multiple linear regression analysis is presented in Table 5, Table 7 and Table 8.

Table 6. Results of Coefficient of Determination Analysis

Model	R	R Square	Adjusted R Square	The F-Value of the Equation
1.	0.582	0.338	0.301	0.62278

**Table 7. Multiple Linear Regression Elimination Analysis Results**

Model	Independent Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.371	1.093		6.018	0.000
	X <sub>1</sub>	0.172	0.064	0.188	2.659	0.010
	X <sub>2</sub>	0.501	0.077	0.510	1.267	0.000
	X <sub>3</sub>	0.478	0.111	0.325	4.300	0.000
	X <sub>4</sub>	0.134	0.058	0.145	2.444	0.019

**Table 8. Recapitulation of the Significance of Multiple Linear Regression Test Results**

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	186.581	4	46.645	128.272	0.000
	Residual	14.208	41	0.346		
	Total	201.278	45			

Based on Table 5, it is known that the calculation result of the coefficient of determination is 0.970, namely 97.0 percent of the variable quality of financial statements is influenced by the independent variable, while 3.0% is influenced by other factors. Based on Table 8, it is known that the results of the regression calculation  $F_{count} = 128.272$ ,  $F_{table} = 0.478$ ,  $F_{count} > F_{table}$ , and  $\alpha = 0.05$ . Thus, the relationship between the variables and the regression equation obtained is the coefficient estimate, which indicates that the variables of competency, the knowledge of region, financial accounting information system, work experience, and the role of formal skills have a positive effect on the quality of financial reports. Based on Table 9, the results of the F-test obtained that the value of  $F_{count} = 128.272$  with a probability of 0.000. Because the probability  $< 0.05$ , the regression model can be used to predict the quality of financial statements.

Based on Table 7, the regression coefficient for competency is 0.172; the direction of the coefficient is positive which indicates that competency has a positive effect on the quality of financial reports. Based on Table 8, the result  $t = 2.659$  with a significance level of 0.000 is obtained. The value of  $t_{count} > t_{table}$  ( $t_{count} = 2.659$ ,  $t_{table} = 2.021$ ). Because  $t_{count} > t_{table}$  and a significance level  $< 0.05$ , it can be concluded that there is a significant influence between competency on the quality of financial reports.

Based on Table 7, the regression coefficient of the implementation of accounting information system is 0.510; the direction of the coefficient is positive, which indicates that the use of the regional financial information system has a positive effect on the quality of financial reports. Based on Table 8, it is found that the  $t_{count}$  value is 1.267 with a significance level of  $< 0.05$ . The value of  $t_{count} > t_{table}$  ( $t_{count} = 1.267$ ,  $t_{table} = 2.021$ ). Because  $t_{count} > t_{table}$  and a significance level  $< 0.05$ , it can be concluded that there is a significant influence between the implementation of financial accounting information systems on the quality of financial reports.

Based on Table 7, the regression coefficient for work experience is 0.478; the direction of the coefficient is positive, which indicates that work experience has a positive effect on

the quality of financial statements. Based on Table 8, it is found that the t-statistic value is 4.304 with a significance level of  $< 0.05$ . The value of  $t_{count} > t_{table}$  is  $4.304 > 4.4 = 2.021$ . Because  $t_{count}$  has been and a significance level  $< 0.05$ , it can be concluded that there is a significant influence between work experience and the quality of financial statements.

Based on Table 7, the regression coefficient for the role of internal audit is 0.134. The decline of the coefficient is positive, indicating that the role of internal audit has a positive effect on the quality of financial reports. Based on Table 8, it is found that the t-statistic value is 2.444 with a significance level of  $< 0.05$ . The value of  $t_{count} > t_{table}$  is  $2.444 > 4.4 = 2.021$ . Because  $t_{count}$  has been and a significance level  $< 0.05$ , it can be concluded that there is a significant influence between the role of internal audit on the quality of financial statements.

#### The Effect of Competency on the Quality of Local Government Financial Reports

The results showed that there was a positive and significant effect between competency and the quality of financial reports. The regression equation has a positive coefficient direction. There is a significant effect of competency on the quality of financial reports. This is indicated by the value of  $t_{count} > t_{table}$  is  $2.889 > 4.4 = 2.021$  with a significance value  $< 0.05$ . Based on the results of multiple linear regression analysis, a positive effect can be seen that there is a significant effect of competency on the quality of financial reports. Theoretically, in government regulation No. 3 of 2010 concerning financial reporting and performance of government agencies, it is stated that financial reports are a form of accountability for the management of state and regional finances for one period. The Government Accounting Standards Committee (2005) explains that the responsibility for preparing and presenting financial statements lies with the leadership of the entity. Within the scope of regional government, what is meant by the head of the entity is each Regional Work Unit head as an accounting entity and each region as a reporting entity. In the Regional Government structure, Regional Work Unit is an accounting entity that has the obligation to record transactions of income, expenditure other than cash that occur within the Regional Work Unit. Therefore, every part of government must be filled with human resources who have competence in competency and other related financial systems.

In the government sector, especially in produce quality regional financial reports, human resources who understand and are competent in government accounting, regional finance and other regional financial government management. To produce quality financial reports, the quality of employees involved in the preparation of financial statements must understand and understand how the accounting process and implementation is carried out based on applicable regulations. Someone said in order that accounting is understood and be done about how the accounting process is carried out until a hierarchical financial report based on the principles and standards for preparing financial statements that are applied in Government Regulation No. 71 of 2010 concerning Government Accounting Standards. Based on these concepts, especially the results of this study are consistent with them (2014), which says that accounting understanding has a positive and significant effect on the quality of financial statements.

#### Effect of Accounting Information System Implementation on the Quality of Local Government Financial Reports

The results showed that there was a positive and significant effect between the

implementation of accounting information systems on the quality of financial reports. The regression equation has a positive coefficient direction. There is a significant effect of the use of regional financial accounting information systems on the quality of financial reports, which is indicated by the value of  $t_{count} = 2.897 > t_{table} = 2.022$  with a significance number  $< 0.05$ . Based on the results of multiple linear regression analysis, a justification can be stated by consulting theoretical and empirical studies. In theory, based on Government Regulation of the Scientific of Indonesia Number 50 of 2004 concerning Regional Financial Information Systems. It is stated that a local financial information system is a system that documents, administers and processes regional financial management data and other related data into information presented to the public and as material decision making in the framework of planning, implementing, and reporting the accountability of local governments. The Batakling Regency Government is operating financial reports using a computerized information system called Local Office Accounting Information System.

Through the use of this accounting information system, the Batakling Regency government can produce quality financial reports. Information technology can be utilized effectively if managed in the organization and technology properly. Therefore, it is very important for organizational members to understand and master the usefulness of the system. The use of the information system is intended to be useful and to improve the performance of the Batakling Regency local government. Through improved performance, the government will also produce good results, namely in the form of quality financial reports. **Importantly, the results of this study are consistent with the results of research conducted by Kadirin & Ridwan (2021), Anggrawan & Yuliana (2021), Syarif (2015) namely the use of local financial accounting information systems has a positive and significant effect on the quality of financial reports.**

#### *Effect of Work Experience on Quality of Local Government Financial Reports*

The results showed that work experience had a positive and significant effect on the quality of local governments financial reports. The regression equation has a positive coefficient direction. The positive effect states that the relationship between work experience and the quality of financial reports is unidirectional. There is a significant effect of work experience on the quality of financial reports, which is indicated by the value of  $t_{count} = 4.99 > t_{table} = 2.02$  with a significance value  $< 0.05$ . Based on the results of multiple linear regression analysis, a justification can be stated that there is a significant effect of work experience on the quality of financial statements. Therefore, the study of regional financial reports is included in the normative research field in Government Regulation No. 71/2010. The normative perspective would the governmental financial reports to meet the desired quality and compliance and unidirectional. Comparability is the information obtained in the financial statements will be more useful if it can be compared with the financial statements of the previous period or the financial statements of other reporting entities in general. Unidirectional is the information presented in financial statements that can be understood by users and expressed in terms and forms that are adjusted to the limits of understanding of the users so that the information is specific. To be able to meet the normative perspective required for governmental financial reports to meet great quality, employee work experience is required.

Work experience is a measure of an employee who can put himself in the right position, determine how to do, be able to face challenges with full responsibility and be able to

communicate well with various parties, this experience will be a top priority as a potential consideration because employees with better understand and transfer a skills to the field he is practicing (July, 2009). The longer the work experience, the more experienced an employee is, so it is hoped that the quality of work will be better. The work experience of the finance / accounting department staff will make it easier to do the job because with the professional work experience, the finance / accounting department staff understand better and is destined in preparing financial reports. Practical work experience in accounting will provide more accuracy in preparing financial reports. Empirically the results of this study are consistent with the results of research conducted by Chaudhry & Akmaliah (2017) which states that work experience has a positive and significant effect on the quality of financial statements.

#### **Effect of Internal Audit Role on the Quality of Financial Statements**

The results showed that the role of internal audit has a positive and significant effect on the quality of financial reports. The regression equation has a positive coefficient constant. There is a significant influence on the role of internal audit on the quality of financial statements which is indicated by the value of  $t_{count} > t_{table}$  ( $2.444 > 1.647$ ) with a significance number  $< 0.05$ . Based on the results of multiple linear regression analysis, a significant can be shown that there is a significant influence on the role of internal audit on the quality of financial statements. Theoretically, not only for a financial report to be of benefit to its users, the financial report must have quality information value that is useful in decision making. The quality of these financial reports is reflected in the normative measures that need to be included in capturing information in order to fulfill its objectives. In Government Regulation Number 71 of 2010, one of the normative prerequisites needed so that government financial reports can meet the desired quality is reliable. Reliable financial reports means if the information in the financial statements is free from misreading, understanding and avoidable errors, precise, relevant, fair, timely and can be verified.

The role of the internal audit the role of the independent on the government's financial supervision will be able to assist local government in preparing quality and reliable government financial reports. To determine the reliability of the financial information produced by the Regional Work Unit, the independent reviews its financial reports. The review process of the financial statements determines whether the financial statements have been prepared in accordance with applicable regulations. The steps provided by the independent in this review process will make the evaluation of financial reports in accordance with government accounting standards, thereby improving the quality of regional financial reports. Empirically the results of this study are consistent with the results of the research of Tardiana et al. (2018), which states that the role of internal audit has a positive and significant effect on the quality of financial statements. Meanwhile, this research is not consistent with Agustiningsih et al. (2017) which states that audit findings have no effect on the level of disclosure in local government financial reports.

#### **CONCLUSION**

There is a positive and significant influence between competency, implementation of accounting information systems, work experience, and the role of internal audit on the quality of local government financial reports. The results of this study can explain the effect of independent variables on financial statements. Existing theories on organizational financial management can give the relationship between competency, implementation of accounting

information system, work experience, and the role of internal audit on the quality of financial reports. The results of empirical evidence from this study can be used to solve problems that occur in the quality of accounting information systems and the quality of financial reports. The quality of accounting information system financial reports can be improved through improving the accounting information system, and commitment and the role of internal audit.

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Local governments should conduct ongoing evaluations of completeness, implementation of regional financial accounting information system, work experience, and the role of internal audit on the quality of financial reports. In addition, there is a need for periodic training for all staff who handle business so that local government financial management will be better in order to achieve quality financial reports. Further researchers are advised to expand the research population, especially by increasing the number of officers working at the Regional Government Agency Offices not only in the Balikpapan area, and also research results are obtained with a higher level of generalization. In subsequent studies, we can add other variables that affect the quality of financial reports such as work motivation and training intensity.

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