



# Analysis of the Internal Control Systems, Financial Information, and Governmental Accounting Standards on the Quality of Financial Reports

Suriyati Pangemanan  
Musram Munizu  
Sri Sundari

*Economics and Business Faculty, Hasanuddin University*

## **Abstract**

*Finding out its impact is the goal of this study for the use of Internal Control, Financial Information Systems, Government Accounting Standards, on the Quality of Financial Management Agency Financial Statements and Regional Assets of Pulau Taliabu Regency. The chief executive officer and employees of BPPKAD in Pulau Taliabu Regency provided the primary data that was used. The method of determining the sample using the convenience sample method. Data is processed using multiple linear regression analysis. The results of this study indicate that the utilization of Internal Control, Financial Information Systems, Government Accounting Standards has a positive and significant effect partially, also simultaneously on the Quality of Financial Reporting of the Financial Management Agency and Regional Assets of Pulau Taliabu Regency.*

**Keywords:** *Internal Control, Financial Information Systems, Government Accounting Standards, and Quality of Financial Reports.*

*Received 01 August, 2023; Revised 09 August, 2023; Accepted 11 August, 2023 © The author(s) 2023. Published with open access at [www.questjournals.org](http://www.questjournals.org)*

## **I. INTRODUCTION**

The quality of the financial reports constitutes the last step in the financial accounting procedure for local government organizations. With a report structure that is pertinent, trustworthy, comparable, and easy to understand, the quality of quality financial reports can be evaluated honestly and openly. A company's financial position, financial performance, and cash flows are all usefully disclosed in high-quality financial reports. when creating regional financial reports. it can influence the decisions of budget users and evaluate the performance of each period so that they are used in predicting the next year's budget. To make sure that regional finances are managed in accordance with the interests of the community and all applicable laws and regulations, the budget for the upcoming year can be prepared while taking regional financial reports into consideration. Additionally, regional financial reports can be compared to the report from the previous year. Government agencies are in charge of producing regional financial reports when using government accounting standards to manage the budget for a specific time frame or year.

Three different areas—internal control systems, financial data, and governmental accounting standards—support the claims of competent local financial reporting accountability. The internal control system of the government has long been used as a means of holding regional heads accountable. It does this by ensuring that organizational goals are met through effective and efficient operations, accurate financial reporting, the protection of property, and adherence to relevant laws. The implementation of an internal control system can increase a comfortable environment and concern for fellow employees and create trust in the heads of government agencies. An internal control system is implemented based on the obligation to provide financial information. High quality accounting information is very important because it affects the effectiveness of decisions. Thus, providing relevant and good accounting information is a requirement for effective government performance. The degree to which accounting information currently satisfies certain requirements and the degree to which it aids in problem-solving are typically the two factors that determine its usefulness. The usefulness of accounting information is determined by its quality and usefulness. With financial information, you can see the Accounting Standards used by the

government in preparing financial reports. The most common thing found in regional financial reporting is regional financial reports that are not in accordance with accounting standards. Government accounting standards must be adequate in preparing regional financial reports so that no findings are obtained by the BPK. Government Accounting Standards and Internal Control Systems, if this is not implemented effectively so that it cannot produce financial reports that have the quality of financial information and causes poor financial quality and cannot be used to prepare the next budget.

Siahaa and Simanjuntak's research (2020) found that the use of regional financial information systems, knowledge of accounting standards, and control systems all have a favorable and significant impact on the quality of regional financial reports. A Qualified Opinion (WDP) is provided for the Makassar City Financial Statements in the BPK Financial Audit Results Report. Has reviewed the Makassar City Government's financial statements, which include the balance sheet as of December 31, 2020, the budget realization report, the report on changes to budget differences, the operational reports, the statements of cash flows, the report on changes to equity, and the notes to the financial statements.

## **II. RESEARCH METHODS**

This study employs a quantitative causal approach or a causal relationship to test the effect hypothesis. With the dependent variable explained or influenced by the independent variable. The population in this study was the Regional Financial and Asset Management Board of the Taliabu Island Regency with a total of 47 respondents. With convenience sampling so that the sample to be used is 28 people. By using this strategy, researchers can make sure that pertinent information is gathered for analysis of how internal control systems, financial information, and governmental accounting standards affect the standard of financial reports.

## **III. RESULTS AND DISCUSSION**

### **Data Quality**

#### **a. Validity test**

Guidelines for an instrument or question are said to be valid if  $r\text{-count} > r\text{-table}$  with a minimum  $r\text{-table}$  value of 0.291 or rounded to 0.30. Four research variables were tested for validity with a sample of 28 respondents, and the results showed that the internal control system utilization variable met the criteria for each question. The financial information system also has appropriate standards for each question so that it is declared valid. Government accounting regulations and the caliber of financial reports are two variables that have criteria that are pertinent to the inquiries made.

#### **b. Reliability Test**

A reliability test was conducted to evaluate the research instrument's consistency. According to Sugiyono (2016), a research instrument is regarded as reliable if its Cronbach's Alpha value is greater than or equal to 0,60.

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>Information</b>
Internal Control System (X1)	0.95	reliable
Financial Information (X2)	0.86	reliable
Government Accounting Standards (X3)	0.91	reliable
Financial Report Quality (Y)	0.89	reliable

It is possible to calculate the value of Cronbach's Alpha for the variables of internal control system use (X1), regional financial information (X2), understanding of government accounting standards (X3), and quality of government financial reports as a result of the results that have been processed. In light of this, it can be said that each of the questions used was effective in eliciting factual information.

### **Classic assumption test**

#### **a. Normality test**

Kolmogorov-Smirnov was used in this study to check for residual normality. The significance level applied was 0.05. The following conditions must be met in order to use probability numbers as the foundation for decision-making. (Ghozali, 2013).

Table 2. One Sample Kolmogorov-Smirnov

Residual Unstandardized Test	
Test Statistics Asymp. Sig. (2-tailed)	.819

The probability value of p or Asymp is well known. Sig. (2-tailed) 0point 819. because p has a probability value of 0.819, which is higher than the significance level of 0.05. The assumption of normality is met as a result

**b. Multicollinearity Test**

To test for the presence or absence of multicollinearity, use the inflation variance factor (VIF) and tolerance values. A good regression model is that there is no multicollinearity. The variance inflation factor value is based on the results of the analysis, and the tolerance value is > 0.1.

Table 3. Multicollinearity Test

Variable	Tolerance Value	Variance Inflation Factor (VIF)
X1	0.43	1,436
X2	0.68	2,487
X3	0.72	1,437

**Hypothesis testing**

**a. Determination Coefficient Test**

Table 4. Model Summary

Model	R	R-Square	Adjusted R-Square	std. Error of The Estimates	Durbin-Watson
1.	.757a	.586	.564	2,507	2,121

The adjusted R2 value is 0.564. This indicates that variations in the use of internal control systems (X1), regional financial information (X2), understanding of government accounting standards (X3) explain 56.4% of the variation in the variable quality of government financial reports (Y). Meanwhile, the remaining 43.6% is explained by other factors that are not included in this research model.

**b. Multiple Linear Regression Test**

Table 5. Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		standardized Coefficients	t	Sig.	
	B	std. Error	Betas			
1	(Constant)	4,322	3,134	1,142	.118	
	Internal Control System	.384	.108	.285	2,563	.018
	Regional Financial Information	.432	.023	.824	3,593	.000
	Government Accounting Standards	.281	.113	.437	2,730	.008

Based on the table above, the multiple liners can be included in the equation:

$$Y = 4.322 + 0.384X1 + 0.432X2 + 0.281X3$$

The aforementioned equation demonstrates that government accounting standards, regional financial data, and internal control systems all significantly influence government financial reports at a significant level of 0.05. Each one unit increase in the internal control system variable will increase 0.384 in understanding of government financial reports. while in variable X2 or regional financial information, when it increases by one unit it will also increase understanding of government financial reports by 0.432. The variable government accounting standards also has a positive influence with an increase in understanding of this variable by one unit, it will increase understanding of government financial reports.

**c. Statistical Test F**

Simultaneous significant test results (statistical F test) were carried out at a significance level of 0.05. If the probability value of F is less than 0.05 then the hypothesis is accepted. The following is the result of a simultaneous significance test (test statistic F).

Table 6. F test (ANOVA)

Model		Sum of Squares	df	MeanSquare	F	p-values
1	Regression	32,443	2	16,222	15,751	< .001b
	Error	11032	25	.971		
	Total	43,475	28			

Based on Table 1, it is known that the Fcount value is 15,751, and the significance value is 0.001. This shows < a significance value of 0.05, meaning that the internal control system, regional financial information, and government accounting standards have an influence jointly on the dependent variable, namely the government's financial reports.

#### d. Statistical Test t

Results of the statistical tests conducted on the internal control system components, the use of financial information systems, and the understanding of governmental accounting standards. The hypothesis is accepted if the significance value of the t statistic is less than 0.05. The Taliabu Island government's financial reports are influenced by how the internal control system is presented. 0.018 as the p-value and 2.563 as the T-statistic. Because the p value is less than 0.05, the null hypothesis can be ignored. It is sufficient to conclude that the average understanding of the internal control system has an impact on the financial report of the Taliabu Island Regency Government.

Utilization of the Financial Information System has an impact on the financial reports of the Taliabu Island Regency government. The T-statistic is 3.595, with a p-value of 0.000. The p value is less than 0.05, so the null hypothesis can be rejected. That is, it is enough to conclude that the average use of internal information systems has an influence on the Financial Report of the Taliabu Island Regency Government.

Understanding of Government Accounting Standards has an impact on the financial reports of the Taliabu Island Regency government. The T-statistic is 2.730, with a p-value of 0.000. The p value is less than 0.05, so the null hypothesis can be rejected. That is, it is sufficient to conclude that the average understanding of government accounting standards has an influence on the Financial Report of the Taliabu Island Government.

The results of hypothesis testing T-test for the hypothesis of the three variables indicate that the system of internal control, utilization of financial information systems, and understanding of government accounting standards have a significant effect on the Financial Report of the Government of Pulau Taliabu Regency.

In conclusion, the data shows that the presentation of financial reports, financial supervision, and these two factors together can have an impact on the financial performance of the Financial Institutions and Regional Assets of Pulau Taliabu Regency.

## IV. CONCLUSION

The internal control system of the government has a significant and profitable impact on the caliber of financial reports. Utilization of the Regional Financial Information System has a positive and significant effect on the quality of financial reports. The accuracy of financial reports is positively and significantly impacted by knowledge of government accounting standards. The quality of financial reports is significantly and positively impacted by the use of regional financial information systems, knowledge of government accounting standards, and adherence to internal control procedures within the government.

## REFERENCES

- [1]. Artana, Arlia Sari, 2016. "The Influence of Understanding of Government Accounting Standards, Utilization of Regional Financial Accounting Information Systems, and Internal Control on the Quality of Regional Government Financial Reports", Thesis of Syarif Hidayatullah State Islamic University, Jakarta.
- [2]. Ghozali, Imam. 2013. *Multivariate Application with IBM SPSS 21 Program*. Semarang: 7th Edition. Diponegoro University Publishing Agency.
- [3]. Ghozali, Imam. 2016. *Application of Multivariate Analysis with the IBM SPSS 23 Program*. Eighth Edition. Semarang: Diponegoro University Publishing Agency.
- [4]. Government Regulation of the Republic of Indonesia Number 56 of 2005 concerning Regional Financial Information Systems.
- [5]. Government Regulation of the Republic of Indonesia Number 8 of 2006 concerning Financial Reporting and Performance of Government Agencies.
- [6]. Government Regulation of the Republic of Indonesia Number 60 of 2008 concerning the Government's Internal Control System.
- [7]. Government Regulation of the Republic of Indonesia Number 71 of 2010 concerning Government Accounting Standards.
- [8]. Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 21 of 2011 concerning the Second Amendment to Regulation of the Minister of Home Affairs Number 13 of 2006 concerning Guidelines for Regional Financial Management.
- [9]. Sari, Ni Putu Yogi Merta Maeka, I Made Pradana Adiputra, and Edy Sujana, 2014." The Influence of Understanding of Government Accounting Standards (SAP) and Utilization of Regional Financial Accounting Information Systems on the Quality of Local Government Financial Reports (Case Study of Services in Jembrana Regency Government)", *E-Journal of S1 Accounting at Ganesha University of Education, Department of Accounting, S1 Program, Volume 2 No. 1*.
- [10]. Siahaan, SB, & Simanjuntak, A. (2018). Factors that influence the quality of audit results within local government (Case study at the inspectorate of North Sumatra province). *Journal of Management*, 4(2), 153–161.

- [11]. Siahaan, SB, & Simanjuntak, A. (2019). The effect of auditor competence, auditor independence, auditor integrity and auditor professionalism on audit quality with auditor ethics as a moderating variable (Case study at a public accounting firm in Medan City). *Journal of Management*, 5(1), 81–92.
- [12]. Sugiyono. 2016. *Business Research Methods*. Bandung: CV Alfabeta.
- [13]. Law of the Republic of Indonesia Number 23 of 2014 concerning Regional Government.